Beneficial Corporation
1977
Annual
Report

Beneficial Corporation . . . one of the largest and most profitable diversified financial companies in the world.

Beneficial is a marketer of money. Through its Consumer Finance Subsidiaries, the Company loans hundreds of millions of dollars each year to individuals and families throughout the United States, Canada, and a number of other nations. The rapidly growing Beneficial Insurance Group provides a wide range of life, health, and casualty insurance coverages and ranks well within the top ten percent of all insurers in the United States.

Beneficial is also a marketer of goods. The Company's principal merchandising subsidiaries—Spiegel, Inc. and Western Auto Supply Company—bear names that are known and respected by consumers all over America.

Beneficial Corporation is a strong company, with assets of $3.3 billion and a net worth in excess of $835 million. And Beneficial is an innovative, sales-minded company . . . a company that continues to dedicate all its efforts to serving the needs of the consumer.

Contents

Classes of Stock	Transfer Agents	Registrars
Common	Irving Trust Company, N.Y.	Chemical Bank, N.Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago
5% Cumulative Preferred	Irving Trust Company, N.Y.	Manufacturers Hanover Trust Company, N.Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$5.50 Dividend Cumulative Convertible Preferred	Morgan Guaranty Trust Company of New York	Citibank, N.A., N.Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$4.50 Dividend Cumulative Preferred	Bankers Trust Company, N.Y.	The Chase Manhattan Bank, N.A., N.Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$4.30 Dividend Cumulative Preferred	Manufacturers Hanover Trust Company, N.Y.	The Chase Manhattan Bank, N.A., N.Y.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago

The principal market on which the above classes of stock are traded is the New York Stock Exchange.

Highlights

	1977	1976	1975	% Increase (Decrease) 1977 over 1976	% Increase (Decrease) 1976 over 1975
During the Year					
Net Income:					
Finance Division:					
Consumer Finance	$ 47,657,000	$ 43,934,000	$ 33,397,000	8.5%	31.6%
Insurance	30,159,000	20,681,000	17,173,000	45.8	20.4
Income from Finance Division	77,816,000	64,615,000	50,570,000	20.4	27.8
Income from Merchandising Division	7,841,000	35,792,000	22,797,000	(78.1)	57.0
Total	$ 85,657,000	$ 100,407,000	$ 73,367,000	(14.7)	36.9
Earnings per Common Share:					
Primary	$3.64	$ 4.52	$3.34	(19.5)	35.3
Fully-diluted	$3.56	$ 4.05	$2.94	(12.1)	37.8
Dividends Paid per Common Share	$1.60	$1.4375	$1.25	11.3	15.0
Consumer Finance Offices:					
Finance Receivables Acquired:					
Amount*	$2,261,888,000	$1,900,279,000	$1,553,622,000	19.0	22.3
Number	2,127,000	1,797,000	1,512,000	18.4	18.8
Average Amount of Transaction*	$1,063	$1,057	$1,028	0.6	2.8
Net Sales and Other Revenue— Merchandising Division	$1,178,685,000	$1,206,346,000	$1,020,400,000	(2.3)	18.2
At Year End					
Consumer Finance Offices:					
Finance Receivables*	$2,526,177,000	$2,085,042,000	$1,828,456,000	21.2	14.0
Number of Accounts	2,451,000	2,095,000	2,008,000	17.0	4.3
Average Account Balance*	$1,031	$995	$911	3.6	9.2
Number of Offices	1,890	1,768	1,723	6.9	2.6
Western Auto:					
Number of Company-owned Stores	472	520	534	(9.2)	(2.6)
Number of Associate Stores	3,918	4,139	4,114	(5.3)	0.6
Number of Employees	25,100	24,900	26,600	0.8	(6.4)
Number of Holders of Common Stock	32,700	31,700	29,900	3.2	6.0

*After deducting Unearned Finance Charges.

Information required by Securities and Exchange Commission rules concerning the lines of business of the Company's subsidiaries is included in the Eleven-Year Summary on Page 44.

Annual Meeting

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Friday, April 28, 1978 at 11 a.m. EST at the office of the Company, Beneficial Building, 1300 Market Street, Wilmington, Delaware.

To Our Shareholders

For Beneficial Corporation, 1977 was a good year . . . the second best year in the history of the Company. Consolidated Net Income was $85.7 million, 14.7% less than the record total achieved in 1976.

For our Finance Division—the cornerstone of the Company—1977 was unquestionably the finest year yet. The Division surpassed its record-breaking 1976 performance by 20.4%, accounting for 90.8% of Consolidated Net Income. Consumer Finance and Insurance both contributed significantly to this strong performance.

The momentum established by the Finance Division in 1976 continued at an increased pace throughout 1977. In almost every type of consumer financial activity and insurance business, we recorded increases in volume and profitability. As a diversified financial company, Beneficial Corporation achieved results that are without precedent in its history.

In an ordinary year, the excellent performance of the consumer finance and insurance operations would have provided sufficient thrust to establish a new record in Consolidated Net Income. However, during 1977 the Merchandising Division's earnings were adversely affected by a collapse of Midland's market for citizens band radios and by special charges at both Western Auto and Spiegel, relating to a major refocusing of their marketing efforts.

Our primary business—consumer finance and related credit insurance—continues to grow in both volume and profitability. We have always been attuned to the needs and desires of the consumer and have developed innovative marketing methods to satisfy those needs and desires. Beneficial is a national and international marketer of financial services, providing customers with what they want—when and where they want it. We are a strong company, and our basic strength in consumer finance and insurance has made it possible for us to move into other financial areas. We are making strides in revolving credit, leasing, and income tax preparation. Our international network of offices, our sophisticated computer facilities, our financial resources, and—most of all—the skill, ingenuity, and dedication of our highly-experienced people—have enabled us to establish positions of strength in the fields we enter.

Left to right:
Robert A. Tucker and George R. Evans, Office of the President, Finn M.W. Caspersen, Chairman of the Board.

The growth of our Insurance Group is an excellent example. The Group's original purpose was to provide credit life and health insurance protection for customers of the Consumer Finance Subsidiaries, and that excellent source of business has enabled the insurance operation to develop considerable financial strength of its own. Now the Group is in a position to use that strength in other fields of insurance—to reinsure coverages sold by other companies and to continue to acquire blocks of business. All of this was made possible by the basic financial strength of Beneficial Corporation and its Consumer Finance Subsidiaries, and the same principle will apply to future undertakings in other financial fields.

Beneficial Corporation has always been cognizant of its responsibilities to its shareholders . . . the thousands of men, women, and children all over the world who have directly or indirectly invested in our future. Our goal is to assure them of maximum financial security and to provide them with a sound, consistent, and growing return on their investments. For many years, we have distributed approximately 35% of our earnings per share to the holders of our Common Stock. The dividend paid during December 1977 brought to 194 the total of consecutive quarterly dividends distributed to our Common shareholders since 1929.

We are also sensitive to our obligations to our customers—the people who borrow our money, buy our merchandise, and participate in our insurance programs. It is our responsibility to provide these people with the best in goods and financial services, at fair prices and under the most convenient circumstances.

We believe that the best way to discharge our responsibilities to our shareholders and our customers is through continued growth. The stronger we become, the better we can serve every segment of the public. In 1978, we are looking for continued growth in both principal components of our Finance Division—our primary source of earnings—and we expect to see improvement in the performance of our Merchandising Division, following the important steps that were taken during 1977. The outlook for Beneficial Corporation continues to be good.

Finn M. W. Caspersen
Chairman of the Board

George R. Evans
Office of the President
Vice-Chairman of the Board

Robert A. Tucker
Office of the President
Chief Financial Officer

February 27, 1978

1977 was a very good year for one of Beneficial's divisions and a highly disappointing one for the other. The Finance Division enjoyed the best year in its history, with net income improving by a substantial 20.4% over 1976. The Merchandising Division, on the other hand, showed a sharp decline of 78.1% in net income, compared to the previous year. However, because the Finance Division accounts for the bulk of Beneficial's business, Consolidated Net Income declined by only 14.7% from the record total achieved in 1976, and 1977 closed as the second best year in the Company's history.

Earnings per Common Share were as follows:

	Earnings per Share		Average Number of Common Shares	
(in thousands)	1977	1976	1977	1976
Primary	$3.64	$4.52	21,808	20,436
Fully-diluted	3.56	4.05	22,686	24,436

Dividends were paid at the rate of $1.60 per Common share during 1977. In December the Company paid its 194th consecutive quarterly dividend.

Within the Finance Division, the Consumer Finance operation achieved excellent results, but the sharpest percentage gains in revenue and net income were registered by the Insurance Group.

(in millions)	1977	1976	% Increase
Revenue:			
Consumer Finance	$503.9	$433.2	16.3%
Insurance	136.5	103.4	32.0
Finance Division	$640.4	$536.6	19.3%
Net Income:			
Consumer Finance	$47.6	$43.9	8.5%
Insurance	30.2	20.7	45.8
Finance Division	$77.8	$64.6	20.4%

The increases in both Revenue and Net Income arose primarily from larger volumes of business: for Consumer Finance, substantially higher average Finance Receivables, as well as better collection experience, and for the Insurance Group, an impressive increase in earned premium and investment income.

Although 1977 was a poor year for Western Auto and Midland, Spiegel showed an increase in net income, despite a non-recurring provision of $2.5 million relating to the closing of all catalog order stores.

(in millions)	1977	1976	% Increase (Decrease)
Net Sales and Other Revenue:			
Midland	$ 110.4	$ 209.8	(47.4)%
Spiegel	377.0	359.3	4.9
Western Auto	691.3	637.2	8.5
Merchandising Division	$1,178.7	$1,206.3	(2.3)%
Net Income (Loss):			
Midland	$(1.9)	$16.8	—%
Spiegel	6.4	5.6	13.7
Western Auto	3.4	13.4	(74.8)
Merchandising Division	$7.9	$35.8	(78.1)%

Midland's sharp decline was due almost entirely to vastly reduced demand and lower prices in the CB radio market. A sizeable portion of Western Auto's earnings decline is attributable to a charge to pre-tax earnings of $9.6 million, resulting from a decision to close a number of unprofitable retail stores and to write down discontinued inventory.

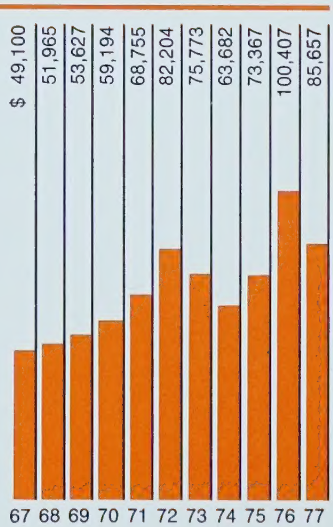
The Finance Division's Interest Expense (after offsetting interest income from non-consolidated subsidiaries) increased by 25.8% ($28.8 million); 91.5% of the total increase was due to an increase in average borrowings, while 8.5% was caused by an increase in the average interest rate.

There was a foreign exchange loss before taxes during 1977 of $3.3 million, compared with a $4.7 million loss in 1976. The 1977 loss was due principally to the decline in the Canadian dollar, the currency in which Beneficial has its greatest exposure. On a consolidated after-tax basis, the loss was $1.0 million for 1977 and $1.1 million for 1976.

Consolidated Net Income

Excluding Extraordinary Credit (1974)

(in thousands)



In its continuing effort to reduce its exposure to foreign exchange fluctuations, the Company finances growth in its foreign subsidiaries by borrowing in the currencies of the nations in which these subsidiaries operate, although such borrowings generally entail higher rates than similar borrowings in the United States. During the year, borrowings were made in Canadian, Australian, British, and West German currencies, in both the short- and medium-term money markets. At the end of 1977, 24.4% of Beneficial's borrowings was in foreign currencies, compared with 23.9% in 1976.

Continuing its long-standing policy of financing the growth of receivables through long-term debt, the Company borrowed in both the public and private markets during 1977 and raised a total of $494.8 million, at favorable interest rates.

The $494.8 million long-term debt was issued as follows:

Public Issues
$150 million 8.30% Debentures due June 1, 2003.
$150 million 8.40% Debentures due December 1, 2007.
$45.8 million (Canadian dollars translated) 9.00% Notes due February 15, 1984.

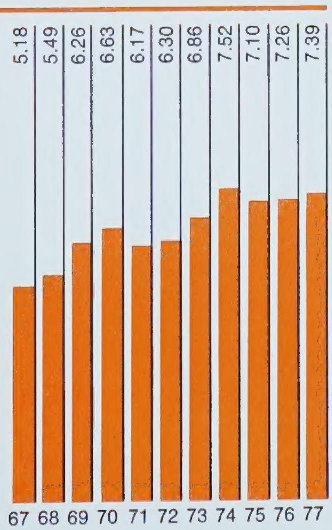
Private Issues
$85 million 8¼ % Senior Serial Notes due serially on June 30 in each of the years 1988 through 1997.
$50 million 8½ % Senior Subordinated Serial Notes due serially on June 30 in each of the years 1988 through 1997.
$14 million (translated) foreign borrowings in various currencies and rates.

The following long-term debt was paid in 1977:

$50 million 6¾ % Debentures due May 1, 1977.
$50 million 5% Debentures due November 1, 1977.
$20.8 million (Swiss Francs translated) 6% Notes due March 29, 1977.

Interest Expense–Effective Rate

(in percent)



Short-term interest rates declined overall during the year as compared to 1976. There was, however, an upward trend during the latter part of the year. Short-term notes payable at December 31, 1977 consisted of $152.6 million from banks and $222.7 million in commercial paper. Average borrowings during the year were $115.6 million from banks and $246.1 million through the issue of commercial paper. The average rate of interest expense for the Finance Division in 1977, giving effect to bank compensating balances, was 7.39%, compared to 7.26% in 1976. The average interest rate at December 31, 1977, including foreign borrowings, was: 7.42% for notes payable; 7.59% for banks; 7.43% for commercial paper; and 7.40% for long-term debt. The maximum amount of short-term notes payable at the end of any month was $513.9 million.

Bank credit lines, which total more than $400 million and include a multi-currency credit facility of $50 million with a group of foreign banks, are maintained by the Company and its finance subsidiaries.

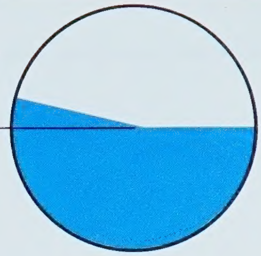
Beneficial Corporation and Consolidated Subsidiaries' borrowings at year-end were as follows:

	1977		1976	
(in millions)	Amount	%	Amount	%
Short-term Debt:				
Banks	$ 152.6	6.7%	$ 99.9	5.6%
Commercial paper	222.7	9.8	167.5	9.3
Employee thrift accounts .	38.6	1.7	34.0	1.9
Total ...	413.9	18.2	301.4	16.8
Long-term Debt:				
Due within one year ..	35.9	1.6	120.5	6.7
Other	1,825.8	80.2	1,372.4	76.5
Total ...	1,861.7	81.8	1,492.9	83.2
Total Debt	$2,275.6	100.0%	$1,794.3	100.0%

Commercial paper is sold directly to institutional and other sophisticated investors in amounts of $100,000 or more, for terms of 15 to 270 days. Moody's Investors Service, Inc. and Standard & Poor's Corporation investment rating services have assigned to Beneficial their highest ratings of P-1 and A-1 respectively. The Company's debentures are rated Aa by Moody's and AA by Standard & Poor's.

Consumer Finance Subsidiaries

Contribution to 1977 Consolidated Net Income
54%



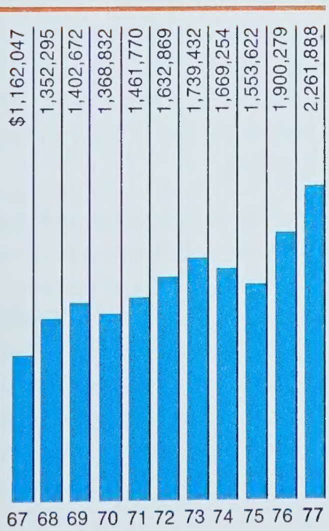
Home improvement is but one of many reasons why well over a million people borrow hundreds of millions of dollars each year through Beneficial's Consumer Finance Subsidiaries. These offices, the vital center of the Company's operations, play an important role in the lives of many people in cities and towns all over the United States . . . and in Canada, England, Australia, Puerto Rico, and West Germany.

Last year, we reported to you that 1976 was by far the best year in the history of our consumer finance business. In 1977, our finance subsidiaries bettered 1976 production in virtually every area. There were significant increases in revenue, net income, loans made, receivables, and many other categories. The figures below tell the story of an excellent year . . . a year in which the Consumer Finance Subsidiaries surpassed by wide margins the high standards of achievement they had established in 1976.

Volume in Consumer Finance Offices

Excluding Unearned Finance Charges

(in thousands)



1977 Consumer Finance Highlights

Revenue
$503.9 million, 16.3% more than 1976.

Net Income
$47.6 million, 8.5% more than 1976.

Number of loans made
1.5 million, 13.0% more than 1976.

Number of sales finance contracts purchased
0.6 million, 29.4% more than 1976.

Total number of accounts at year end
2.5 million, 17.0% more than 1976.

Number of offices
1,890, 6.9% more than 1976.

In 1977, Finance Receivables showed a substantial gain of 21.2%, reaching a year-end total of $2.5 billion. Increased loan volume in existing offices was the primary reason for this sizeable increase, but another significant factor was the purchase during the year of $138.0 million of Net Receivables, located in 20 states, from a large consumer finance company. This purchase also was a primary reason for the increase in the number of offices.

Instalment loans to individuals of moderate means are the primary source of business for the Consumer Finance Subsidiaries. These loans—made, for the most part, under the provisions of the various state "small loan" laws—account for 92.5% of Net Receivables. The trend in the consumer finance business, however, is toward larger loans at lower rates for longer periods of time. Although the average rate of interest charged on such loans is less than on smaller loans, the operating cost per dollar loaned is also less. During 1977, the average loan made by the Consumer Finance Subsidiaries increased from $1,308 to $1,348, and the average term for the 1977 loans was 45.3 months, compared to an average of 40.8 months in 1976.

Loans secured by second mortgages on homes are an increasing source of business. These loans, characterized by lower delinquency and charge-offs, have proven highly satisfactory in terms of profitability. Home mortgage loans are larger in amount and longer in duration, averaging $8,351 in 1977, with a 107.4 month maturity. Loans of this nature accounted for $282.4 million of receivables, and the projection is for an increasing demand from consumers for such loans.

Another important source of business is consumer sales finance contracts, which comprised 7.5% of total receivables at the end of 1977. This type of financing is profitable in itself, and it is a source of future instalment loan business from customers whose sales contracts have been purchased by Beneficial. 1977 was a record year in the purchase of sales finance contracts, and at year end the total of such receivables had reached an all-time high of $189.9 million. After a successful pilot program, the Consumer Finance Subsidiaries are in the process of establishing additional central purchasing offices in various market areas to buy sales finance contracts on a broader basis.

The percentage of loans more than two months delinquent showed a substantial decrease, dropping from 1.19% in 1976 to 1.08% in 1977, the lowest level of year-end delinquency since 1972. Accounts charged off as uncollectible decreased from 2.04% to 1.74% of average gross receivables. The $7.2 million of recoveries on charged-off accounts was equivalent to 13.0% of the receivables charged off during the year. Cash principal collections in 1977

were 16.8% higher in dollar amount than during 1976, but due to the impact of larger loans with longer maturities, they represented about the same percentage of average receivable balances.

Foreign operations accounted for 15.5% of Consumer Finance Net Receivables at the end of 1977. In Australia, where there are 72 offices, Net Receivables increased by $19.9 million. In England, where there are 34 offices, the increase was $9.5 million. (In both cases, the increases shown are the equivalents in U.S. dollars, after deducting Unearned Finance Charges.) In Canada, where there are 188 offices, Net Receivables were $7.0 million lower than in 1976. Due to prevailing economic conditions, Canadian operations are not being expanded.

In 1977, a West German bank, TKB-Wall-Bank AG Teilzahlungskreditbank was acquired. This bank is in the consumer finance business and had $41.0 million of finance receivables at year end. The bank was operating at three locations at the time of acquisition, but it has since expanded to five, and further expansion is planned.

After an extensive study, plans have been made, subject to the approval of the Japanese Ministry of Finance, for the commencement of consumer finance operations in Japan.

In 1977, as in 1976, the Finance Division suffered a moderate after-tax foreign exchange loss of $1.0 million compared with $1.1 million in 1976. Substantially all of this loss related to the Consumer Finance Subsidiaries. As indicated in the Financial section, Beneficial is placing increasing emphasis upon borrowing in the currencies in which its major assets are denominated.

The wide distribution of offices in the United States and foreign countries is an effective cushion against adverse local economic conditions. The areas with the five highest percentages of receivables at year end were: California, 18.6%; Canada, 9.2%; New York, 9.0%; Pennsylvania, 6.0%; and New Jersey, 4.6%.

For Beneficial, Consumer Finance operations are widespread, employing many thousands of people. Maintaining the high standards of such a large and active group of companies requires a continuing program of training and supervision . . . a program that recognizes and rewards talent, initiative, and hard work. Outstanding employees are singled out for rapid promotion, and each individual is encouraged to perform to the best of his or her ability. Because the Consumer Finance Subsidiaries are continually expanding, promotional opportunities are always open to qualified employees.

The size and scope of the operations bring many benefits. One of these is Bencom, a computer service facility operated by Beneficial Data Processing Corporation. In every Beneficial finance office in the United States and Canada, there is a Bencom terminal which is connected directly to the central data facility. The system types out instalment loan contracts automatically and performs most of the administrative and accounting functions of a routine nature for each office.

Several new programs are underway in the Consumer Finance area. One of the most promising of these is a revolving credit concept under which a customer who has established a line of credit can borrow money automatically merely by signing and negotiating checks issued to him through a Consumer Finance Subsidiary. Another form of revolving credit is Bencharge, which has operated successfully on a pilot basis. Bencharge enables local merchants to issue their own personalized credit cards, which are used in conjunction with terminals in their stores that are connected to the Bencom computer. This service will be made more readily available in new localities during 1978. Still another new program is the leasing of medical, dental, and hospital equipment. In 1977, Beneficial acquired Parliament Leasing Company, which is engaged in such business. Parliament had $6.9 million in gross receivables at year end, and its operations are expanding in 1978.

Beneficial Income Tax Service continues to move ahead as an independent profit center, placing increasing emphasis upon advertising and promotion campaigns to make taxpayers aware of this useful and inexpensive service. Beneficial Income Tax Service offices are located in 42 states and in Canada.

The financial strength of Beneficial Corporation enables the Consumer Finance Subsidiaries to take advantage of many opportunities, both financial and technological. Programs such as those mentioned above and other new approaches—developed by careful research and trial—will continue to be an important part of the Consumer Finance business.

In 1976, the Consumer Finance Subsidiaries established new records of performance in every area. In 1977, those records were exceeded by considerable margins. This was a highly satisfactory achievement, and credit for this outstanding success goes to officers, executives, and employees at every level in the Consumer Finance operation. As a result of their performance in 1977, the Consumer Finance Subsidiaries have established new and much higher standards of accomplishment, which they are confident they can meet in 1978.

Unearned Finance Charges

This item represents the deferred income that is transferred to Revenue as collections are received on accounts containing Unearned Finance Charges.

Unearned Finance Charges are taken into Revenue by Beneficial as earned and collected under the Rule of 78ths. This Rule stipulates that the portion of income in each payment is computed as the ratio of the number of unpaid instalments plus one, to the sum of the months that each contractual payment is outstanding.

The decline in the 1977 percentage for Unearned Finance Charges results primarily from a change in the mix of dollar-cost receivables. Proportionately, small loans and sales finance contracts (which have a lower unearned percentage) increased while large loans decreased. Additionally, dollar-cost receivables acquired in 1977 had a lower unearned percentage due to their shorter remaining contract term.

(amounts in thousands)

At Year End	Finance Receivables less Unearned Finance Charges: Total	Dollar-Cost Basis*: %	Dollar-Cost Basis*: Amount	Unearned Finance Charges: Relating Thereto	Unearned Finance Charges: As % of Related Finance Receivables
1977	$2,526,177	71.39%	$1,803,352	$520,490	28.86%
1976	2,085,042	72.14	1,504,200	449,778	29.90
1975	1,828,456	73.01	1,334,899	388,500	29.10
1974	1,781,500	75.83	1,350,903	380,437	28.16
1973	1,700,696	79.75	1,356,231	377,078	27.80

*An obligation the face amount of which includes Unearned Finance Charges.

Reserve for Possible Credit Losses

Beneficial's delinquency (as to loan account balances with payments more than two months past due), as a percent of Loan Receivables, improved again in 1977. The Reserve percentage remains one of the most conservative in the industry.

Data for the five years ended December 31, 1977 follow:

(amounts in thousands)

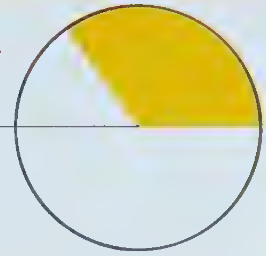
Year	Provision for Possible Credit Losses (a	Gross Amount of Finance Receivables Charged Off	Finance Receivables Charged Off (a: Amount	Finance Receivables Charged Off (a: % of Average Gross Finance Receivables	Reserve for Possible Credit Losses at End of Year: Amount	Reserve for Possible Credit Losses at End of Year: % of Finance Receivables at End of Year (b	Receivables More Than Two Months Delinquent (c
1977	$65,706	$55,780	$48,542	1.74%	$126,309	5.00%	1.08% (d
1976	60,419	54,757	48,356	2.04	106,337	5.10	1.19
1975	54,755	57,230	51,764	2.42	95,054	5.20	1.29
1974	51,123	49,987	44,896	2.12	92,638	5.20	1.28
1973	40,756	39,887	36,355	1.82	86,736	5.10	1.15

a) After offsetting recoveries.
b) After deducting Unearned Finance Charges.
c) These percentages apply to loans only and at year end.
d) Excluding Loan Receivables of West German bank.

Insurance Group

Contribution to 1977 Consolidated Net Income

35%

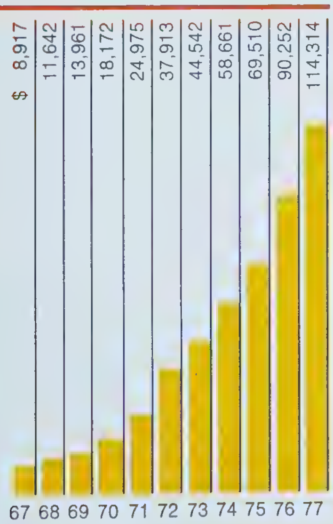


Thousands of families all over America are protected by insurance coverages underwritten by the Beneficial Insurance Group, a complex of both life and casualty insurers. The Insurance Group underwrites a wide range of life, accident and health, and fire and property insurance; in addition, it reinsures a growing volume of marine, non-marine, and aviation risks. The primary source of business and profits continues to be Beneficial's Consumer Finance Subsidiaries, but business from non-affiliated sources is the fastest-growing segment of the Group's premium income.

For the sixth consecutive year, the Beneficial Insurance Group achieved substantially increased earnings. Net income for 1977 was $30.2 million, a gain of 45.8% over the 1976 figure of $20.7 million. During the past six years, net income has increased at an average rate of 40.7%; and over the past decade, the average rate of increase has been 36.7%.

Earned Premium

(in thousands)



Assets as of December 31, 1977 were $368.0 million, an increase of 43.4% during the year. Every company in the Group reported an increase in earned premium, for a total of $114.3 million, compared to $90.3 million in the prior year. While the growth of the Insurance Group has been dramatic, the fundamentals of the business have been carefully monitored and controlled. Premiums written in 1977 were $164.9 million. This premium amount is 1.24 times the net worth of the Insurance Group, a conservative ratio for a multiple line insurance group.

The investments of the Insurance Group increased to $307.6 million at year end. The investment philosophy continues to favor high quality bonds. The distribution of investments as of December 31 was as follows:

	1977	1976
Government and Municipal Bonds	56.2%	54.5%
Corporate Bonds	24.7	17.6
Preferred Stocks	9.0	6.9
Common Stocks	5.6	4.4
Short-Term Holdings	1.6	13.2
Mortgages	1.4	2.4
Policy Loans	1.5	1.0
	100.0%	100.0%

In 1977, investment income before expenses amounted to $18.8 million, including capital gains of $1.2 million, as compared with 1976, in which the Group realized $11.1 million in investment income after deducting capital losses of $1.1 million.

During 1977, the Consolidated Marine and General Insurance Co., Ltd. of London, England was acquired. This company was not active in 1977, but in 1978 it will become a working partner of Beneficial International Insurance Company, Limited of Hamilton, Bermuda, in the field of international insurance and reinsurance.

American Centennial Insurance Company, the Group's property and casualty insurance carrier in the United States, was admitted to do business in an additional 4 states during the year, bringing its total to 32. Effective January 1, 1978, American Independence Life Insurance Company, acquired in 1975, was merged into The Central National Life Insurance Company of Omaha, the principal company in the Group. The merger will result in some reduction in operating expense.

Edward A. Dunbar, who had been Chairman of the Board and Chief Executive Officer of the Insurance Group for seven years—and instrumental in its outstanding success—has relinquished that position, but he will continue to be active in directing the Group's international operations. Mr. Dunbar, a Beneficial employee since 1943, has been associated with the insurance operation since 1952. R. Donald Quackenbush, who had been President of the Insurance Group, has succeeded Mr. Dunbar as Chairman and Chief Executive Officer. Mr. Quackenbush has been associated with the Insurance Group since 1970 and had extensive experience in the insurance industry prior to that time.

1977 was an outstanding year for Beneficial's insurance operations in every respect, and the outlook for 1978 is excellent. The financial strength of the Insurance Group continues to produce opportunities for the development of profitable business in many lines, through direct sales, reinsurance agreements with unaffiliated insurers, and acquisitions.

Western Auto Supply Company

Contribution to 1977 Consolidated Net Income

4%

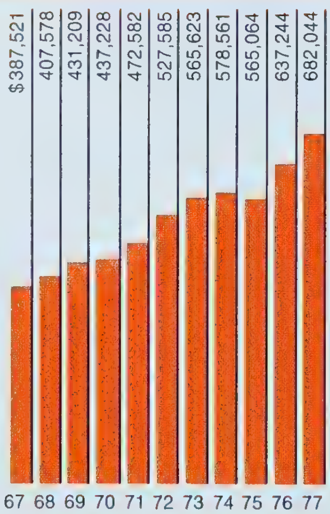
Award-winning "Sand Blaster" tires are typical of Western Auto's own brand-name merchandise. Western Auto—a nationally-known name in the merchandising field—features automotive products, major appliances, sporting goods, furniture and houseware items, in 472 company-owned stores and 3,918 independently operated associate stores.

Western Auto's net income declined sharply in 1977. Excluding Eva Gabor International, the total of $3.2 million was 76.2% less than the 1976 figure of $13.4 million. This decrease is principally attributable to two factors: the decision to close 70 retail stores (58 were closed in 1977, with 12 more scheduled for 1978), which had been identified as unprofitable; and a write-down of discontinued merchandise to facilitate its orderly liquidation. The store closings accounted for $7.0 million of the decline in Income Before Income Taxes, and the inventory devaluation was responsible for an additional loss of $2.6 million. Although these steps resulted in substantial charges to 1977 earnings, they are expected to be of considerable benefit in future years, clearing the way for sales of more profitable categories of merchandise at better locations. A further point of explanation for the earnings decline pertains to the reduction in the gross profit percentage, in order to become more competitive.

Net Sales and Other Revenue

Excluding sales of a subsidiary and a former subsidiary

(in thousands)



Sales volume continued to increase. Excluding Eva Gabor, Net Sales and Other Revenue (including intradivision revenue of $0.8 million and $1.1 million respectively) was $682.8 million, compared with $638.3 million in 1976. Company-owned stores realized Net Sales and Other Revenue of $238.7 million, an increase of 5.9% over 1976. Sales per square foot of selling space —for stores opened for a full year or longer—averaged $93.63, compared to $83.22 in 1976. During 1977, 10 company-owned stores were opened in new locations. Taken together with the 58 closings, this resulted in a net decline of 48 such stores. Western Auto is placing increasing emphasis upon auto merchandise and service, and its new company-owned stores are being designed to highlight these features . . . providing a better selection of automotive merchandise and improved service facilities.

Net Sales and Other Revenue relating to associate stores was $443.3 million, a gain of 7.6% over 1976. The number of associate stores decreased from 4,139 to 3,918. Average wholesale purchases from Western Auto by associate store owners increased by 10.2%, as a result of the continuing campaign to upgrade existing stores. During 1977, the 149 associate store owners who participated in the company's modernization and expansion program increased their purchases from the company by 35.4%.

Western Auto receives almost all of its merchandise at ten modern, company-owned distribution centers, strategically located throughout the United States. In 1977, merchandise distribution cost was lowered to 2.60% of merchandise sales, compared with 2.83% in 1976.

Western Acceptance Company, a wholly-owned subsidiary, purchased $264.6 million in receivables generated by company-owned and associate stores during 1977; on a comparable basis, $256.7 million was purchased in 1976.

Eva Gabor International, Ltd., a Western Auto subsidiary that was previously a part of the Midland operation, achieved sales of $9.3 million, compared with $12.8 million in 1976, and earnings of $0.2 million, compared with $0.5 million in 1976.

Several top-level management changes were made during the year. Joseph C. Grissom, who had been President of Western Auto, became Chairman of the Board and Chief Executive Officer, replacing Leon A. Fults, who retired after 42 years of distinguished service. Mr. Grissom has been with Western Auto since 1954. J. Roger McDonald joined the company in June and is now its President. Mr. McDonald had previously been associated with one of America's leading retail merchandising companies for 26 years. W.J. Knickerbocker, a veteran of 24 years in merchandising, has joined the company and is now Vice-President in charge of retail operations.

Merchandising Division

Spiegel, Inc.

Contribution to 1977 Consolidated Net Income

7%

The first long dress for the first prom is among the 65,000 items shoppers can find in the more than fifty million beautifully designed, graphically exciting Spiegel catalogs the company mailed last year throughout the United States. Spiegel, America's catalog department store, features national brands, with major emphasis on fashion apparel, home furnishings, and accessories.

Spiegel's Net Sales and Other Revenue showed a gain of 4.9% in 1977. Net income increased by 13.7% over the previous year. This increase in profitability was a commendable performance, in view of a significant impact on earnings that resulted from the important decision to close the company's remaining 131 catalog order stores by the end of the first quarter of 1978. In the absence of the special $2.5 million provision for this purpose, Spiegel's net income would have been 36.7% higher than the previous year. This provision lessened income in 1977 in order to achieve long-term growth in profitability.

Careful study and analysis led to the decision to close the catalog order stores. Recent improvements in communication and transportation have changed the concept of service which Spiegel believes is fundamental to its success. An expanding system of toll-free telephone orders and United Parcel Service deliveries and pickups is supplanting the function largely performed by the catalog stores. Today's Spiegel customer prefers to shop at home.

Net Sales and Other Revenue totaled $377.0 million in 1977, compared to $359.3 million in 1976. The improvement was due in part to a reversal of the decline in credit sales. In 1976, Spiegel's policy had been to de-emphasize such sales while the company upgraded its credit standards. Once this was accomplished, Spiegel was again able to encourage credit transactions, and in 1977 these sales increased by 4.5% to $194.7 million. Cash sales, including major credit cards, showed a gain of 9.8% to $89.7 million.

Special promotions encouraged customers with good payment records to take fuller advantage of the credit available to them. These and other mailings, in addition to active solicitations of new accounts, resulted in the gratifying increase in credit sales. In 1977, Spiegel started accepting the American Express credit card. This card, in addition to the major bank cards already accepted, provides the Spiegel customer with a wide variety of credit and charge opportunities.

At year end there were 1.3 million active customer accounts, with an average balance of $251, compared to 1.4 million and $243 in 1976. Customer accounts receivable at the end of 1977 were $337.9 million, a decrease of 1.9% during the year. Accounts receivable charged off in 1977 totaled $17.3 million, a decrease of 10.3% from the previous year. This continuing improvement is the result of the implementation of better selection procedures in the granting of credit and of more efficient collection methods.

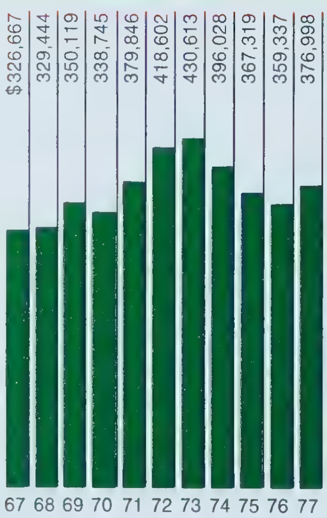
Catalog order store sales were $71.1 million, representing 25% of total sales. This is a decline of 26.9% from the 1976 total, reflecting previous store closings and the de-emphasis of these stores because of the current transition to a 100% mail and telephone order business.

1977 was Spiegel's first full year of operation under its new management team. While short-range strategies improved the profit performance, much progress was also made in the implementation of a long-term program of rebuilding and revitalization. The highest priority was given to establishing a unique identity for Spiegel in the marketplace. Emphasis was also placed upon reaching a new and more affluent customer.

Higher quality, more fashionable merchandise, and a strong emphasis on a large selection of nationally-known brand-name products distinguishes Spiegel from other direct mail retailers, which market products under their own labels. The name brand merchandise adds to the company's image as a quality catalog department store and appeals to the new upscale customer that Spiegel is now actively seeking.

Net Sales and Other Revenue

(in thousands)




SPIEGEL

The catalog, Spiegel's mail order department store, has undergone vast changes. Today, Spiegel's Catalog is more interesting than ever before. Its content and graphic design are more editorial—more magazine-like—than those of previous catalogs. Perhaps the most significant changes have been made in the areas of photography and color. Every photograph, particularly in the apparel sections, suggests movement and action. More than 90% of the new 524-page Spring and Summer Catalog is in full color. The four-color pages—combined with the striking changes in photography, layout, and copy—create a high degree of product appeal. The new Spiegel Catalog is designed to match the interests and the lifestyle of a younger, more affluent consumer.

In 1977, Spiegel moved its corporate headquarters to a new building in suburban Oak Brook, Illinois. The move has served to improve efficiency in every phase of operations, and it will also result in savings in overhead. The relocation has improved Spiegel's image as a dynamic and growing company, making it far easier to attract the kind of talent necessary for a vigorous and competitive operation.

Spiegel is in the process of building a new company out of an old one. Many important changes took place in 1977, and further refinements will follow in 1978. During the past two years, Spiegel has shown a dramatic turnaround. The company is now ready to begin to move back into a position of leadership among America's direct mail retailers.

Midland International Corporation

Midland is an international marketing and importing subsidiary, engaged in the sale of CB (citizens band) radios, television sets, and other electronic equipment as well as automotive accessories, tools, and toys and sporting goods.

Excluding Eva Gabor, Midland's Net Sales and Other Revenue for 1977 was $121.5 million, compared to $215.6 million in 1976 (including intradivision sales of $11.1 million and $18.7 million respectively). The decrease was due to the substantial decline in demand for CB radios from the unusually high levels that prevailed throughout most of 1976. Sales of CB, marine, and amateur radios during 1977 totaled $65.3 million, a 61.4% decline from 1976. Excluding Eva Gabor, Midland's net income declined sharply, from a profit of $16.3 million in 1976 to a loss of $1.9 million in 1977.

The CB radio market was further affected by the surplus of 23-channel radios which remained in the retail market following the Federal government authorization, effective January 1, 1977, of 40-channel units. While Midland had no 23-channel inventory by mid year, its gross profits were considerably curtailed by severe price cutting as other suppliers attempted to eliminate their 23-channel surpluses.

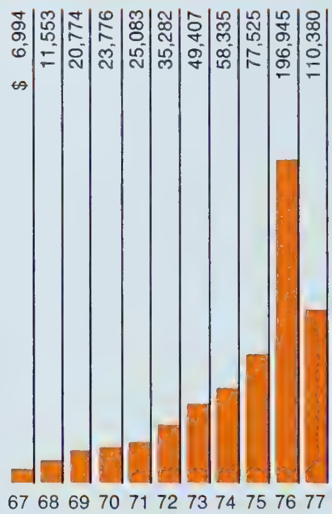
It is expected that the CB market will remain depressed for some time to come, and this will continue to have an adverse effect on Midland's sales and earnings.

The boom in CB radio sales appears to be over, but while it lasted, Midland—the dominant company in the field—was a prime beneficiary of this marketing phenomenon. Midland's overall experience in CB radio has been a highly profitable one. During 1975 and 1976, CB, marine, and amateur radios accounted for $228.2 million in sales volume, enabling Midland to realize $22 million in net income. Midland is currently taking steps to assure a return to profitability in its CB lines and to increase profitability in its other present product areas, and—at the same time—the company is reviewing new product opportunities.

Net Sales and Other Revenue

Excluding inter-company sales and sales of a former subsidiary

(in thousands)



Worthy and Wagner Elected to Board of Directors

Effective November 30, 1977, K. Martin Worthy and Richard A. Wagner were elected to the Board of Directors of Beneficial Corporation, increasing the Board membership from 15 to 17.

Mr. Worthy, an attorney, is a partner in Hamel, Park, McCabe & Saunders, a Washington, D.C. law firm. He had previously served by Presidential appointment as Chief Counsel of the Internal Revenue Service. Mr. Worthy is a member of the American Law Institute and a Fellow, American Bar Foundation, and he has served as Chairman of the American Bar Association's Section on Taxation.

Mr. Wagner has served as Executive Vice-President of Beneficial Management Corporation since 1974 and is in charge of all field operations of the Beneficial Finance System. He is a member of the Board of Directors and Executive and Management Committees of Beneficial Management Corporation. He joined Beneficial in 1948 and has served in a number of executive capacities with the Consumer Finance Subsidiaries.

Mrs. Paton Elected Vice-President

On May 30, 1977, Mrs. Glenn E. Paton was elected to the position of Vice-President of Beneficial Corporation. Mrs. Paton has been with the Company for 35 years, serving most recently as Assistant Secretary, a position she will continue to hold. She is also a member of the Board of Directors of Peoples Bank and Trust Company, a Beneficial subsidiary.

Doran, Haag, Nickerson, and Hollister Receive Promotions

Effective November 30, 1977, four employees were promoted to assistant officerships with Beneficial Corporation. John R. Doran, who joined the Company in 1952 and became Assistant Treasurer in 1968, was named Assistant Vice-President and Assistant Treasurer. Robert F. Haag, with Beneficial since 1940 and Assistant Controller since 1969, was promoted to the position of Assistant Vice-President and Assistant Controller. Genevieve M. Nickerson, a Beneficial employee since 1942, has been promoted to Assistant Secretary. Worthy A. Hollister, Internal Auditor for Beneficial Corporation, has been promoted to Assistant Auditor.

Brimmer Named to Replace Saulnier as Economic Consultant

The Company accepted with regret the resignation of Raymond J. Saulnier as its economic consultant. Dr. Saulnier, who served as Chairman of President Eisenhower's Council of Economic Advisers, has provided the Company with valuable advice and counsel. He has been succeeded by Dr. Andrew F. Brimmer, President of Brimmer and Company, Inc. Dr. Brimmer, a member of the Board of Governors of the Federal Reserve System from 1966 to 1974, has also served as Deputy Assistant Secretary for economic policy review of the United States Chamber of Commerce and in many other key posts in the field of economics.

Bank Credit Card Operation is Expanded

In January of 1977, Peoples Bank and Trust Company, now a wholly-owned subsidiary, began operation of a number of ambitious programs that utilize Visa and Master Charge credit cards. Peoples Bank now processes all Visa and Master Charge sales for the Western Auto retail stores and approximately 1,400 of that company's associate stores. In addition, tests have been conducted involving the issuing of credit cards to customers of other Beneficial subsidiaries. By the end of 1977, Peoples Bank had over 16,000 cardholder accounts, with almost $3 million in receivables.

Pictured on this page are the chief executive and operating officers of Beneficial's five major subsidiaries. These men are responsible for the short- and long-term success of operating units that are equivalent in size to major national and international corporations.

George R. Evans
President and Chief Executive Officer
Beneficial Management Corporation

Richard A. Wagner
Executive Vice-President Operating
Beneficial Management Corporation

R. Donald Quackenbush
Chairman and Chief Executive Officer
Beneficial Insurance Group

Joseph C. Grissom
Chairman and Chief Executive Officer
Western Auto Supply Company

J. Roger McDonald
President
Western Auto Supply Company

Henry A. Johnson
Chairman and Chief Executive Officer
Spiegel, Inc.

John W. Lane
Chairman and Chief Executive Officer
Midland International Corporation

Robert W. McFadden
President
Midland International Corporation

Beneficial Corporation and Consolidated Subsidiaries

Beneficial Corporation Merchandising Division

Balance Sheet

(in thousands) December 31,	1977	1976
Assets		
Cash (Note 2)	$ 35,285	$ 34,255
Finance Receivables (Note 3)	3,046,667	2,534,820
Less Unearned Finance Charges	(520,490)	(449,778)
Balance of Principal of Finance Receivables	2,526,177	2,085,042
Less: Reserve for Possible Credit Losses	(126,309)	(106,337)
Insurance Policy and Claim Reserves Applicable to Finance Receivables	(112,886)	(95,247)
Net Finance Receivables	2,286,982	1,883,458
Security Investments (Note 4)	357,487	251,940
Receivable from Merchandising Division (Note 5 and Page 34)	138,300	89,836
Investments in Non-Consolidated Subsidiaries (at equity in net assets):		
Merchandising Division (Page 34)	343,878	341,083
Other	5,664	4,535
	349,542	345,618
Fixed Assets (at cost, less accumulated depreciation and amortization of $21,038 and $18,382)	25,922	21,997
Other Assets (Note 6)	127,696	100,789
Total	$3,321,214	$2,727,893
Liabilities and Shareholders' Equity		
Short-Term Notes and Employee Thrift Accounts (Note 7)	$ 413,850	$ 301,417
Accounts Payable and Accrued Liabilities (Note 8)	121,875	95,924
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	88,684	46,415
Long-Term Debt (Note 9)	1,861,731	1,492,891
Total Liabilities	2,486,140	1,936,647
Shareholders' Equity (Notes 4, 9, and 11):		
Preferred Stock	117,294	129,704
Common Stock	21,924	21,533
Capital Surplus	61,263	48,952
Net Unrealized Loss on Equity Securities	(2,919)	(1,785)
Retained Earnings	637,512	592,842
Total Shareholders' Equity	835,074	791,246
Total	$3,321,214	$2,727,893

The Notes to Financial Statements should be considered in connection with this Balance Sheet.

Statement of Income

(in thousands) Years Ended December 31,	1977	1976	1975	1974	1973
Income from Finance Division					
Revenue:					
Consumer Finance	$503,874	$433,163	$381,846	$388,218	$366,470
Insurance	136,488	103,395	78,414	64,321	49,847
Total	640,362	536,558	460,260	452,539	416,317
Expenses:					
Interest	148,709	119,267	109,207	120,570	106,220
Less Interest Income from Non-Consolidated Subsidiaries	(8,126)	(7,509)	(11,539)	(15,483)	(17,475)
Interest (net)	140,583	111,758	97,668	105,087	88,745
Salaries and Employee Benefits	115,012	99,663	89,776	90,750	87,094
Provision for Possible Credit Losses (after offsetting recoveries)	65,706	60,419	54,755	51,123	40,756
Insurance Benefits Provided	70,403	56,873	42,340	38,581	30,158
Rent	16,584	15,025	14,601	14,141	12,980
Advertising, Telephone, Postage, and Other	91,626	71,739	60,025	60,421	54,869
Total	499,914	415,477	359,165	360,103	314,602
Operating Income	140,448	121,081	101,095	92,436	101,715
Foreign Exchange Gain (Loss) (Notes 1f and 10)	(3,299)	(4,730)	(6,042)	(11,217)	(1,236)
Income before Provision for Income Taxes	137,149	116,351	95,053	81,219	100,479
Provision for Income Taxes:					
U.S. and Foreign (Note 13)	52,300	42,405	37,426	30,817	42,186
State and Local	7,033	9,331	7,057	6,590	5,857
Total	59,333	51,736	44,483	37,407	48,043
Income from Finance Division	77,816	64,615	50,570	43,812	52,436
Income from Merchandising Division (Page 35)	7,841	35,792	22,797	19,870	23,337
Income before Extraordinary Credit	85,657	100,407	73,367	63,682	75,773
Extraordinary Credit (Note 15)	—	—	—	12,109	—
Net Income	$ 85,657	$100,407	$ 73,367	$ 75,791	$ 75,773
Earnings Per Common Share—Primary (Note 16):					
Earnings Available for Common Stock	$79,444	$92,468	$63,858	$66,259	$65,767
Average Outstanding Shares	21,808	20,436	19,145	19,103	18,705
Net Income (1974 includes Extraordinary Credit of $.64)	$3.64	$4.52	$3.34	$3.47	$3.51
Earnings Per Common Share—Fully-Diluted (Note 16):					
Earnings Available for Common Stock	$80,668	$99,011	$71,982	$74,451	$74,437
Average Outstanding Shares	22,686	24,436	24,451	24,479	24,459
Net Income (1974 includes Extraordinary Credit of $.49)	$3.56	$4.05	$2.94	$3.04	$3.04
Dividends Per Common Share	$1.60	$1.4375	$1.25	$1.25	$1.20

The Notes to Financial Statements should be considered in connection with this statement.

Management's Discussion and Analysis of the Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

The average Balance of Principal of Finance Receivables increased 18.1% in 1977 and 10.2% in 1976. The 1977 gain resulted from increases both in the volume of business and in the amount of receivables purchased from non-affiliated companies. The gain in 1976 resulted from an increase in the number of qualified customers due to improved economic conditions as well as an increase in the amount of receivables purchased from non-affiliated companies.

Consumer Finance Revenue increased 16.3% in 1977 and 13.4% in 1976, primarily as a result of the higher levels of average receivables as well as better collection experience. See the Consumer Finance Subsidiaries section on Page 7 for more information.

Insurance Revenue increased 32.0% in 1977 and 31.9% in 1976, primarily reflecting higher levels of reinsurance of non-credit-related life and accident and health coverage as well as significant gains in credit life and accident and health premiums earned as a result of increases in loans made. Investment income increased $5.3 million in 1977 and $3.1 million in 1976, due primarily to higher levels of investments. See the Insurance Group section on Page 11 for more information.

Interest Expense increased 25.8% in 1977 due primarily to increased borrowings required by a higher level of receivables. Interest Expense increased 14.4% in 1976 due to increased borrowings and higher interest rates. The average rate of annual interest expense, giving effect to compensating balances at banks, for 1977 was 7.39% compared with 7.26% for 1976. See the Financial section on Page 4 for more information.

Salaries and Employee Benefits increased 15.4% in 1977 and 11.0% in 1976. The increases resulted from additional employees required for the larger number of consumer finance offices operated, expansion of insurance operations, and improved employee benefits.

Provision for Possible Credit Losses (after offsetting recoveries) increased 8.8% in 1977 and 10.3% in 1976. The percentage increase in 1977 was less than the percentage increase in the average Balance of Principal of Finance Receivables primarily because of a reduction in 1977 in the Reserve for Possible Credit Losses as a percentage of the Balance of Principal of Finance Receivables and the decline in the percentage of charge-offs (after offsetting recoveries) to average monthly balances. The increase in 1976 resulted from the substantially higher level of finance receivables. Charge-offs (after offsetting recoveries) on receivables considered uncollectible or to require disproportionate collection costs declined from 2.04% of average monthly balances in 1976 to 1.74% in 1977. See the Reserve for Possible Credit Losses section on Page 9 for more information.

Insurance Benefits Provided increased 23.8% in 1977 and 34.3% in 1976. The increases are due primarily to claims paid on the higher levels of reinsured non-credit life and accident and health business.

Increases in Rent are 10.4% for 1977 and 2.9% for 1976, due primarily to the larger number of consumer finance offices operated.

Advertising, Telephone, Postage, and Other increased 27.7% in 1977 and 19.5% in 1976. The increases are primarily the result of an increase in commissions paid for non-affiliated reinsurance business as well as additional advertising costs covering new marketing areas.

The Foreign Exchange Loss of $3.3 million in 1977 results primarily from the decline in the value of the Canadian dollar in which there is a net asset position, while the Foreign Exchange Loss of $4.7 million in 1976 relates primarily to the decline in the value of the Australian dollar and the British pound. Additional information is given in Notes 1f and 10 on Pages 25 and 29.

Changes in Provision for U.S. and Foreign Income Taxes are explained in the effective rate reconciliation in Note 13 on Page 30.

Income from Finance Division increased 20.4% in 1977 due primarily to increased investment income of the Insurance Group as well as increased Consumer Finance Revenue over increases in related expenses. Income from Finance Division increased 27.8% in 1976 due principally to increased revenue resulting from the expansion of Finance Receivables, increased investment income of the Insurance Group, a decrease in Foreign Exchange Loss, and a decline in the effective rate for U.S, and Foreign Income Taxes from 42.6% to 39.7%.

Income from Merchandising Division is discussed and analyzed on Page 36.

Statement of Retained Earnings

(in thousands) Years Ended December 31,	1977	1976	1975	1974	1973
Balance, Beginning of Year	$592,842	$529,842	$489,827	$447,351	$403,944
Net Income	85,657	100,407	73,367	75,791	75,773
Total	678,499	630,249	563,194	523,142	479,717
Dividends on Capital Stock:					
Preferred	6,403	7,445	9,596	9,626	10,029
Common	34,584	29,962	23,756	23,689	22,337
Total Dividends	40,987	37,407	33,352	33,315	32,366
Balance, End of Year	$637,512	$592,842	$529,842	$489,827	$447,351

Statement of Capital Surplus

(in thousands) Years Ended December 31,	1977	1976	1975	1974	1973
Balance, Beginning of Year	$48,952	$40,141	$39,658	$39,180	$36,524
Excess of stated value of $5.50 Dividend Cumulative Convertible Preferred Stock over par value of Company Common Stock issued upon conversion	447	8,587	118	231	1,761
Excess of stated value of $4.30 Dividend Cumulative Preferred Stock over par value of Company Common Stock issued upon conversion	11,579	5	3	—	—
Excess of face amount of Spiegel Subordinated Debentures over par and stated values of Company capital stock issued in exchange	—	—	164	22	825
Miscellaneous	285	219	198	225	70
Balance, End of Year	$61,263	$48,952	$40,141	$39,658	$39,180

The Notes to Financial Statements should be considered in connection with the above statements.

Statement of Changes in Financial Position

(in thousands) Years Ended December 31,	1977	1976	1975	1974	1973
Source of Funds					
Operations:					
Income before extraordinary credit	$ 85,657	$ 100,407	$ 73,367	$ 63,682	$ 75,773
Non-cash charges (credits) to income:					
Provision for possible credit losses (before offsetting recoveries)	72,944	66,820	60,221	56,214	44,288
Increase (decrease) in unpaid expenses	9,639	(1,679)	3,502	185	2,695
Increase in insurance reserves	59,908	26,555	29,090	21,060	14,010
Depreciation, amortization, and other	6,763	6,256	6,400	5,858	4,732
Unrealized foreign exchange loss (gain)	(3,805)	1,769	3,669	9,744	344
Deferred income taxes	5,857	(1,395)	(3,902)	17,925	(1,439)
Undistributed net income of non-consolidated subsidiaries	(3,978)	(11,715)	(14,892)	(19,166)	(22,646)
Total funds provided by operations	232,985	187,018	157,455	155,502	117,757
Extraordinary credit (Note 15)	—	—	—	12,109	—
Collections of principal on finance receivables	1,184,643	1,014,213	900,353	927,655	964,442
Short-term notes and employee thrift accounts—net increase (decrease)	112,433	(7,663)	19,183	24,298	9,933
Increase (decrease) in accounts payable	16,312	(14,640)	40,915	(6,032)	8,396
Long-term debt issued	494,846	290,545	39,372	103,945	75,000
Other	(34,061)	2,407	12,487	(2,126)	(15,505)
	$2,007,158	$1,471,880	$1,169,765	$1,215,351	$1,160,023
Application of Funds					
New funds lent to customers	$1,488,341	$1,253,408	$ 975,777	$1,065,317	$1,108,918
Principal balance of finance receivables purchased	202,971	90,471	47,512	4,158	2,649
Increase (decrease) in security investments (at carrying amount)	105,547	(24,757)	127,492	48,403	11,053
Long-term debt paid	120,848	155,035	41,877	103,449	29,298
Advances to Merchandising Division—net increase (decrease)	48,464	(39,684)	(56,245)	(39,291)	(24,261)
Dividends on capital stock	40,987	37,407	33,352	33,315	32,366
	$2,007,158	$1,471,880	$1,169,765	$1,215,351	$1,160,023

The Notes to Financial Statements should be considered in connection with this statement.

Notes to Financial Statements

1. Summary of Significant Accounting Principles and Practices

a) Examination of Financial Statements. The financial statements presented herein are prepared from the books and records of the companies. Audits are made as of June 30 and December 31 by independent Certified Public Accountants.

b) Basis of Consolidation. The financial statements include, after inter-company eliminations, all significant subsidiaries except Midland International Corporation and Subsidiaries, Spiegel, Inc. and Subsidiaries, and Western Auto Supply Company and Subsidiaries, which comprise the Merchandising Division. (Prior to January 1, 1977 Midland International Corporation was a wholly-owned subsidiary of Western Auto Supply Company.) However, the equity of the Company in the net assets and net income of all subsidiaries is included. Reference is made to the financial statements of the Merchandising Division which appear elsewhere in this report. Certain prior year amounts have been restated to conform with 1977 classifications.

c) Finance Operations. The financial statements, with the exception of "Revenue—Consumer Finance" and certain operating expenses, are prepared on the accrual basis. The unrecorded asset of finance charges receivable exceeds the unrecorded liability for expenses payable. Such excess and the interperiod change therein are not considered material in relation to the Balance Sheet and Statement of Income respectively.

Unearned finance charges generally are taken into income as earned and collected under the Rule of 78ths method. Income from interest-bearing direct cash loans is taken into income as collected.

Receivables considered uncollectible or to require disproportionate collection costs are charged monthly to the Reserve for Possible Credit Losses, but collection efforts generally are continued.

d) Insurance Operations. Insurance subsidiaries are engaged primarily in credit life, credit accident and health, and casualty insurance.

The financial statements of all insurance subsidiaries are prepared in conformity with Generally Accepted Accounting Principles.

Premiums on credit life and credit accident and health insurance are generally taken into income as earned under the Rule of 78ths. Premiums on casualty insurance are taken into income on the straight-line method.

e) Valuation of Security Investments. Debt securities are carried at amortized cost. Equity securities (substantially all marketable) are carried at market value. The carrying amount of marketable equity securities is adjusted from cost to market value through a valuation allowance, the change in which is not reflected in Net Income but directly in Shareholders' Equity. (See Note 4.)

f) Translation of Foreign Currencies. Assets, including immaterial amounts of fixed assets and related accumulated depreciation and amortization, and liabilities in foreign currencies (principally Canadian) are translated to U.S. dollar equivalents at the market rates at each Balance Sheet date. Translation of foreign operating results is at the average market rates for each period covered by the Statement of Income. The net gain or loss is credited or charged to income.

2. Cash

Cash at December 31 consists of the following:

(in thousands)	1977	1976
On Hand and Unrestricted Deposits	$ 591	$ 148
Compensating Balances	34,694	34,107
Total Cash	$35,285	$34,255

Compensating balance requirements generally are the greater of 10% of the bank line of credit or 20% of actual borrowings. The use of lines of credit is periodically rotated among banks. (See Note 7.)

3. Finance Receivables

The amount of and maximum term in months (from origination) of Finance Receivables at December 31 are as follows:

	Amount		Maximum Term	
	1977	1976	1977	1976
	(in millions)		(months)	
Direct Cash Loans:				
Dollar-cost	$2,097	$1,798	120	84
Interest-bearing	723	581	180	120
All Loans	2,820	2,379		
Lease Receivables	7	—	60	—
Sales Finance Contracts	220	156	60	60
Total Finance Receivables	$3,047	$2,535		

Scheduled contractual payments of Finance Receivables to be received after December 31, 1977 are as follows:

	1978	1979	1980	1981	Beyond
Direct Cash Loans:					
Dollar-cost	43%	32%	17%	6%	2%
Interest-bearing	33	25	18	12	12
All Loans	40	30	18	7	5
Lease Receivables	23	23	21	20	13
Sales Finance Contracts	68	25	6	1	—
Total Finance Receivables	42	30	16	7	5

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal on Finance Receivables amounted to $1,184.6 million for 1977 and $1,014.2 million for 1976.

The percentage of monthly cash principal collections to average monthly balances was 4.34% for 1977 and 4.35% for 1976.

4. Security Investments

Except for temporary and miscellaneous investments of the Beneficial Finance System, $50.1 million in 1977 and $39.1 million in 1976 (at amortized cost), these are held by the insurance subsidiaries as long-term investments. Equity securities had a cost of $47.8 million at December 31, 1977 and $26.3 million at December 31, 1976.

Security Investments at December 31 consist of the following:

	1977		1976	
(in millions)	Carrying Amount	Market Value	Carrying Amount	Market Value
Debt Securities:				
Certificates of Deposit	$ 4.8	$ 4.8	$ 38.4	$ 38.4
Commercial Paper	10.9	10.9	20.5	20.5
U.S. Government Obligations	5.0	4.9	3.8	3.8
Foreign Government and Agency Obligations	44.8	44.9	5.5	5.5
Municipal Bonds	161.9	170.6	114.5	118.4
Convertible Bonds	22.5	21.7	13.3	13.4
Non-Convertible Bonds	53.7	52.6	24.4	25.0
Other	9.0	9.0	7.0	7.0
	$312.6	$319.4	$227.4	$232.0

(in millions)	1977 Carrying Amount	1977 Market Value	1976 Carrying Amount	1976 Market Value
Equity Securities:				
Preferred Stocks	$ 27.0	$ 27.0	$ 13.3	$ 13.3
Convertible Preferred Stocks	0.7	0.7	1.5	1.5
Common Stocks	17.2	17.2	9.7	9.7
	44.9	44.9	24.5	24.5
Total Security Investments	$357.5	$364.3	$251.9	$256.5

Net Unrealized Loss on Equity Securities, shown in the Balance Sheet at December 31 as part of Shareholders' Equity, is as follows:

(in millions)	1977	1976
Gross Unrealized Losses	$3.8	$2.6
Less Gross Unrealized Gains	(0.9)	(0.8)
Net Unrealized Loss	$2.9	$1.8

Realized gains and losses, determined on the identified cost basis, are not material.

5. Receivable from Merchandising Division

Of this amount at December 31, 1977 and 1976 $50.0 million and $29.0 million are receivable from Fairfax Family Fund, Inc., a consumer loan subsidiary of Spiegel, Inc.

6. Other Assets

At December 31 these consist of the following:

(in thousands)	1977	1976
Accrued Interest on Investments	$ 8,349	$ 4,508
Excess Cost of Common Stock of Certain Subsidiaries	30,564	27,556
Deferred Income Tax Benefits	9,020	12,848
Insurance Premiums Receivable	22,778	18,546
Unamortized Long-Term Debt Expense	14,078	10,534
Unamortized Insurance Acquisition Cost	22,406	12,658
Other	20,501	14,139
Total Other Assets	$127,696	$100,789

The Excess Cost of Common Stock is not being amortized except for insignificant amounts originating in 1977 being amortized over periods ending prior to 1988.

7. Short-Term Notes and Employee Thrift Accounts

At December 31 these consist of the following:

(in thousands)	1977	1976
Banks:		
Line of Credit Loans	$143,492	$ 93,897
Demand Master Note	9,084	6,040
	152,576	99,937
Commercial Paper	222,695	167,456
Total Short-Term Notes	375,271	267,393
Employee Thrift Accounts	38,579	34,024
Total	$413,850	$301,417

Data for Short-Term Notes for the years ended December 31 are:

(in thousands)	1977	1976
Maximum amount at any month end	$513,879	$267,393
Daily average amount	$361,644	$167,864
Average interest rate (actual interest expense divided by daily average amount):		
U.S. dollar borrowings	6.06%	5.82%
Foreign currency borrowings	10.38	11.69
Overall	7.01	7.85

The average interest rates on Short-Term Notes outstanding at December 31, without giving effect to compensating balances at banks, and maturities are as follows:

	1977	1976
Average Interest Rates:		
Banks:		
U.S. dollars (at prime)	7.86%	6.27%
Foreign currencies	7.07	12.49
Overall	7.63	8.38
Demand Master Note (varies with prevailing money market rates)	6.95	4.81
Commercial Paper (varies with prevailing money market rates):		
U.S. dollars	6.66	4.80
Foreign currencies	9.86	10.60
Overall	7.43	6.45
Maturities (in days):		
Banks	1-365	1-92
Commercial Paper	20-210	20-197

At December 31 bank lines of credit are as follows:

(in thousands)	1977	1976
Loans	$143,492	$ 93,897
Unused Portion	323,706	336,921
Total Lines	$467,198	$430,818

8. Accounts Payable and Accrued Liabilities

At December 31 these consist of the following:

(in thousands)	1977	1976
Income Taxes Payable	$ 12,619	$26,638
Accrued Interest	33,309	23,484
Dealer Reserves	14,249	11,223
Insurance Premiums Payable	20,826	4,681
Deposits Payable	15,501	5,581
Minority Interest in Subsidiaries	4,588	4,557
Other	20,783	19,760
Total Accounts Payable and Accrued Liabilities	$121,875	$95,924

9. Long-Term Debt and Surplus Restrictions

Long-term debt outstanding December 31 is as follows:

(in thousands)	1977	1976
By Currency:		
United States	$1,680,102(a	$1,345,078(a
Australian	37,396	29,262
British	3,840	—
Canadian	132,038	93,981
Swiss	5,018	24,570
West German	3,337	—
Total Long-Term Debt	$1,861,731	$1,492,891
By Maturity:		
1977	$ —	$ 120,475
1978	35,897	35,776
1979	195,825	192,625
1980	129,683(b	127,480(b
1981	79,397	80,488
1982	5,620	—
1983-87	344,572	300,000
1988-92	278,237(c	211,047(c
1993-97	267,500(d	200,000(d
1998-2002	225,000	225,000
2003-2007	300,000	—
Total Long-Term Debt	$1,861,731	$1,492,891

Includes subordinated debt as follows:	1977	1976
a)	$100,000	$50,000
b)	50,000	50,000
c)	25,000	—
d)	25,000	—
Weighted Average Annual Interest Rate on Debt Outstanding at End of Period	7.40%	6.96%

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1977 and 1976 the amounts of all unrestricted Surplus (Capital Surplus and Retained Earnings), under the most restrictive of these covenants, are approximately $298 million and $331 million.

10. Foreign Operations

After translation to U.S. dollar equivalents, assets, liabilities, and net assets denominated in foreign currencies at December 31 and operating income, foreign exchange loss, and net income from operations in foreign countries for the years then ended are:

(in millions)	1977	1976
Assets	$410.8	$364.4
Liabilities	325.1	244.0
Net Assets	$ 85.7	$120.4
Operating Income*	$22.1	$17.5
Foreign Exchange Gain (Loss)*	(11.3)	(3.8)
Net Income from Operations in Foreign Countries	$10.8	$13.7

*After income taxes.

Foreign exchange gain (loss) on a consolidated basis is as follows:

(in millions)	1977	1976
Domestic operations	$10.0	$ 0.1
Foreign operations	(13.3)	(4.8)
Total (agrees with Statement of Income)	(3.3)	(4.7)
Less related income taxes	2.3	3.6
Foreign exchange gain (loss) after related income taxes	$ (1.0)	$ (1.1)

11. Capital Stock

At December 31 the number of shares of capital stock is as follows:

	Issued and Outstanding	
	1977	1976
Preferred Stock—no par value (issuable in series). Authorized, 500,000	None	None
5% Cumulative Preferred Stock—$50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred Stock—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $14,259,400 and $17,148,300). Authorized, 1,164,077	142,594	171,483
$4.50 Dividend Cumulative Preferred Stock—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred Stock—no par value—$100 stated value (each share convertible prior to November 1, 1977 into 2.1 shares of Common). Authorized, 1,069,204	836,585	954,903
Common Stock—$1 par value. Authorized, 60,000,000	21,923,975(b	21,533,351(b
After deducting treasury shares:		
a)	178,012	178,012
b)	4,817,456	4,829,836

Of the authorized shares shown above as of December 31, 1977, 641,673 shares of Common are issuable upon conversion of $5.50 Preferred.

12. Employee Retirement Plans

Substantially all employees of the Company and consolidated subsidiaries are covered by one or more of several retirement plans. The plans are fully funded except for relatively minor amounts, which for the most part are being funded over periods of approximately ten years. Total expense of the plans was $3.6 million for 1977 and $2.8 million for 1976.

13. U.S. and Foreign Taxes on Income

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including the eligible merchandising subsidiaries. The Provision for U.S. and Foreign Income Taxes for the Finance Division is comprised of:

(in thousands)	1977	1976
United States:		
Current	$41,274	$36,444
Deferred	3,962	(1,776)
Total U.S.	45,236	34,668
Foreign:		
Current	5,169	7,356
Deferred	1,895	381
Total Foreign	7,064	7,737
Total	$52,300	$42,405

Charges (credits) to Provision for U.S. and Foreign Income Taxes—Deferred are related to:

(in thousands)	1977	1976
Earned but uncollected Canadian finance charges	$ (309)	$ (332)
Salaries and Employee Benefits	(23)	(991)
Provision for Possible Credit Losses	425	(561)
Insurance Benefits Provided	(878)	176
Insurance Acquisition Cost	2,630	1,638
Unrealized Foreign Exchange Gain (Loss)	2,519	(223)
Provision for State and Local Income Taxes	307	545
Other	1,186	(1,647)
Total	$5,857	$(1,395)

A reconciliation between the expected and the effective U.S. and foreign tax rates on income from the Finance Division before income taxes is as follows:

(in millions)	1977	1976
Income before Provision for Income Taxes	$137.1	$116.3
Less: Net Income of Non-Consolidated Finance Division Subsidiaries	(0.3)	(0.2)
State and Local Income Taxes	(7.0)	(9.3)
	(7.3)	(9.5)
Income of Consolidated Companies before Provision for U.S. and Foreign Income Taxes	$129.8	$106.8
Expected Provision for U.S. and Foreign Income Taxes (at 48%)	$ 62.3	$ 51.3
Expected Tax Rate	48.0%	48.0%
Increases (Decreases) in Tax Rate Resulting from:		
Income of insurance subsidiaries taxed at lower effective rates	(8.3)	(6.7)
Differential between U.S. and foreign tax rates	(0.8)	(1.5)
Unrealized and untaxed foreign exchange gains and losses	(0.3)	(0.1)
Receipt of dividends from subsidiaries	1.5	0.2
Other	0.2	(0.2)
Effective Tax Rate	40.3%	39.7%
Provision for U.S. and Foreign Income Taxes	$52.3	$42.4

U.S. income taxes generally have not been provided on retained earnings of foreign subsidiaries, as such retained earnings are expected to be permanently invested in foreign countries. If such earnings were remitted, available foreign income tax credits would substantially offset applicable U.S. income taxes. At the end of 1977 the Company's unused foreign tax credits amounted to $8.6 million, which expire as follows (in millions); 1980, $4.9; 1981, $0.1; and 1982, $3.6.

14. Leases

Real estate leases total 1,910 and generally have an original term of five years with renewal option for a like term. Data processing equipment lease terms range from one to seven years and generally are renewable. The minimum rental commitments under non-cancelable leases at December 31, 1977 are as follows:

(in millions)	
1978	$10.3
1979	8.3
1980	6.2
1981	3.7
1982	2.0
1983 thru 1987	1.9
Thereafter	0.3
Total	$32.7

15. 1974 Extraordinary Credit

In October 1974 a non-consolidated 79.9% owned subsidiary, whose operations in prior years were not significant, sold for cash 64,000 acres of undeveloped land in Florida. Beneficial Corporation's portion of the gain, after taxes of $5.2 million at capital gain rates, was $12.1 million.

16. Earnings Per Common Share

Primary Earnings per Common Share is computed on basis of average shares outstanding and equivalents thereof, after deducting dividend requirements on Preferred Stocks. None of the Preferred Stocks are common stock equivalents.

Fully-diluted Earnings per Common Share is computed on same basis as above except that average shares outstanding include those that would result from conversion of $5.50 Preferred Stock and, prior to the expiration of the conversion period on October 31, 1977, $4.30 Preferred Stock, and preferred dividend requirements on only non-convertible issues are deducted.

17. Insurance Group

Selected data for the years ended December 31 are as follows:

(in millions)	1977	1976
Earned Premium	$ 114.3	$ 90.3
Investment Income (net)	17.0	11.9
Benefits Provided	70.4	56.9
Other Operating Expenses	29.6	20.8
Income before Income Taxes	36.8	27.2
Net Income	30.2	20.7
Shareholder's Equity	133.5	104.5
Life Insurance in Force	3,940.7	3,603.6

18. Information About Operations in Different Geographic Areas

Information about the operations in different geographic areas of the Finance Division for the year ended December 31, 1977 and assets of the Company and consolidated subsidiaries at December 31, 1977 is as follows:

(in thousands)	United States	Canada	Other Foreign	Eliminations	Consolidated
Revenue from Unaffiliated Customers	$ 531,523	$ 52,769	$ 55,783		$ 640,075
Transfers Between Geographic Areas	8,371			$ (8,371)	
Total	$ 539,894	$ 52,769	$ 55,783	$ (8,371)	$ 640,075
Operating Profit	$ 108,653	$ 20,820	$ 15,183		$ 144,656
Foreign Exchange Gain (Loss)	$ 10,032	$ (14,259)	$ 928		(3,299)
Equity in Net Income of Non-Consolidated Subsidiaries					287
General Corporate Expenses					(4,495)
Income Before Provision for Income Taxes					$ 137,149
Identifiable Assets at December 31, 1977 .	$2,385,916	$234,801	$234,865	$(63,526)	$2,792,056
Investments in and Advances to Non-Consolidated Subsidiaries					509,362
Corporate Assets					19,796
Total Assets at December 31, 1977					$3,321,214

Amounts eliminated among geographic areas consist of interest and service fees paid to U.S. affiliates. Operating profit is total revenue less operating expenses (including interest expense), but before foreign exchange gain (loss), equity in net income of non-consolidated subsidiaries, general corporate expenses, and provision for income taxes.

Identifiable assets are those assets identified with the operations in each geographic area. Corporate assets are principally cash.

19. Information About Industry Operations of the Finance Division

Information about industry operations of the Finance Division for the year ended December 31, 1977 and assets of the Company and consolidated subsidiaries at December 31, 1977 is as follows:

(in thousands)	Finance	Insurance	Eliminations	Consolidated
Revenue from Unaffiliated Customers	$ 503,587	$136,488		$ 640,075
Intersegment Revenue	6,641	14	$ (6,655)	
Total	$ 510,228	$136,502	$ (6,655)	$ 640,075
Operating Profit	$ 108,415	$ 36,241		$ 144,656
Foreign Exchange Gain (Loss)	$ (3,839)	$ 540		(3,299)
Equity in Net Income of Non-Consolidated Subsidiaries				287
General Corporate Expenses				(4,495)
Income before Provision for Income Taxes				$ 137,149
Identifiable Assets at December 31, 1977	$2,543,827	$368,008	$(119,779)	$2,792,056
Investments In and Advances to Non-Consolidated Subsidiaries				509,362
Corporate Assets				19,796
Total Assets at December 31, 1977				$3,321,214

Amounts eliminated between industry segments are principally revenue of finance subsidiaries derived from insurance activities with affiliated insurance companies and insurance reserves applicable to Finance Receivables.

20. Quarterly Financial Data

Selected quarterly financial data required by Securities and Exchange Commission rules are included (unaudited) in Supplemental Information—Data by Calendar Quarter on Page 46.

Accountants' Opinion

The Board of Directors and Shareholders of Beneficial Corporation

We have examined the balance sheets of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1977 and 1976 and the related statements of income, retained earnings, capital surplus, and changes in financial position for each of the five years in the period ended December 31, 1977. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Merchandising Division (Midland International Corporation and Subsidiaries, Spiegel, Inc. and Subsidiaries, and Western Auto Supply Company and Subsidiaries, non-consolidated subsidiaries), the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements for such companies were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1977 and 1976 and the results of their operations and changes in their financial position for each of the five years in the period ended December 31, 1977, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Newark, N.J.
February 20, 1978

Form 10-K

Upon written request the Company will furnish (without charge) to each shareholder a copy of the Company's Annual Report on Form 10-K for the year 1977 required to be filed with the Securities and Exchange Commission, including the financial statements and the schedules thereto.

Requests should be addressed to: Mr. Edwin M. Stokes, Vice-President and Secretary, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

Balance Sheet

(in thousands) December 31,	1977	1976
Assets		
Current Assets:		
Cash (Note 4)	$ 15,500	$ 14,372
Receivables:		
Instalment Accounts	569,348	549,860
Revolving Accounts	43,463	43,042
Wholesale Accounts	203,759	217,925
	816,570	810,827
Less Unearned Finance Charges	(107,092)	(101,327)
	709,478	709,500
Less Allowance for Doubtful Receivables	(43,781)	(45,119)
Net Receivables	665,697	664,381
Inventories	204,010	206,722
Prepaid Expenses	11,645	11,992
Total Current Assets	896,852	897,467
Fixed Assets (at cost, less accumulated depreciation and amortization of $42,168 and $41,437)	85,915	84,595
Other Assets	3,398	5,329
Total	$986,165	$987,391
Liabilities and Shareholder's Equity		
Current Liabilities:		
Commercial Paper (Note 4)	$ 31,500	$ 75,250
Long-Term Debt Due Within One Year (Note 5)	5,837	6,194
Accounts Payable	99,051	96,439
Payable to Beneficial Corporation (Notes 1e and 4)	138,300	89,836
State and Other Income Taxes Payable	3,665	5,223
Deferred Federal Income Taxes (Note 7)	62,429	72,192
Accrued Taxes, Warranties, and Other Liabilities	49,751	48,801
Accrued Store Closings (Note 2)	7,733	—
Total Current Liabilities	398,266	393,935
Long-Term Debt (Note 5)	239,201	248,635
Deferred Federal Income Taxes (Note 7)	4,820	3,738
Total Liabilities	642,287	646,308
Shareholder's Equity (including Retained Earnings of $227,618 and $225,487)	343,878	341,083
Total	$986,165	$987,391

The Notes to Financial Statements should be considered in connection with this Balance Sheet.

Statement of Income and Retained Earnings

(in thousands) Years Ended December 31,	1977	1976	1975	1974	1973
Net Sales and Other Revenue	$1,178,685	$1,206,346	$1,020,400	$1,039,232	$1,062,602
Expenses:					
Cost of Goods Sold (including certain buying and occupancy expenses)	818,261	812,841	651,291	654,709	682,353
Selling and Administrative Expense	304,116	293,892	289,262	300,923	294,955
Interest Expense (including $8,111, $7,510, $11,582, $15,532, and $17,602 to Beneficial Corporation)	30,044	28,857	33,255	44,029	40,301
Provision for Store Closings and Other Items (Note 2)	12,100	—	—	—	—
Total	1,164,521	1,135,590	973,808	999,661	1,017,609
Income before Income Taxes	14,164	70,756	46,592	39,571	44,993
Provision for Income Taxes:					
Federal:					
Current	16,558	37,015	26,239	6,887	(3,065)
Deferred	(11,185)	(5,114)	(4,534)	10,558	22,698
State	950	3,063	2,090	2,256	2,023
Total	6,323	34,964	23,795	19,701	21,656
Net Income	7,841	35,792	22,797	19,870	23,337
Retained Earnings, Beginning of Year	225,487	213,895	199,098	180,228	157,891
	233,328	249,687	221,895	200,098	181,228
Dividends Paid (Note 1a)	5,710	24,200	8,000	1,000	1,000
Retained Earnings, End of Year	$ 227,618	$ 225,487	$ 213,895	$ 199,098	$ 180,228

The Notes to Financial Statements should be considered in connection with this statement.

Management's Discussion and Analysis of the Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

Net Sales and Other Revenue decreased 2.3% in the year ended December 31, 1977 as compared to the year 1976. This decrease results primarily from the substantial decline in the unprecedented demand for citizens band radios from the unusually high levels which prevailed during the first nine months of 1976. The sales decrease was partially offset by increased sales in the wholesale and retail operations of Western Auto and in the catalog sales of Spiegel. Net Sales and Other Revenue increased 18.2% in 1976 because of the growth in the retail and wholesale operations, particularly in the wholesale sales of citizens band radios. For 1975, Net Sales and Other Revenue decreased 1.8% primarily because of the effect of the continuing economic recession which caused a decline in consumer demand. Also, the continuation of the more restrictive credit acceptance policy, instituted in 1974 for catalog sales, had a depressing effect on credit sales. These effects were partially offset by the successful marketing of citizens band radios in the second half of 1975.

Cost of Goods Sold remained relatively constant in amount for the year ended December 31, 1977 as compared to the same period in 1976, despite the decrease in Net Sales and Other Revenue, due to narrowing of profit margins primarily relating to sales of citizens band radios. Profit margins were also narrowed by more competitive pricing for other types of merchandise. Cost of Goods Sold increased 24.8% in 1976. This increase is not proportional to the increase in sales since price reductions on the sale of 23-channel citizens band radios were necessary in the later part of 1976 in order to reduce inventory levels in anticipation of the sale of 40-channel units beginning in 1977.

Selling and Administrative Expense decreased by 3.9% in 1975 due primarily to the decline in Provision for Doubtful Receivables resulting from reduced charge-offs relating to the catalog instalment accounts. This reduction was achieved because of lower credit sales, increased collection efforts, and the effect of restrictions on credit acceptance.

Reference is made to Note 2 to the Merchandising Division financial statements for an explanation of the Provision for Store Closings and Other Items.

Interest Expense decreased by 13.2% in 1976 and by 24.5% in 1975. The decrease in 1976 was primarily due to lower interest rates and in 1975 was a result of lower interest rates and lower borrowings.

The 78.1% decline in Net Income for the Merchandising Division for the year ended December 31, 1977 as compared to the year 1976 results primarily from the substantial decline in demand for citizens band radios and the restructuring of certain merchandising activities, which necessitated the Provision for Store Closings and Other Items. Net Income for the Merchandising Division increased by 57.0% in 1976, primarily because of the increased volume in the wholesale and retail operations and improved catalog operations. In 1975, Net Income for the Division increased by 14.7%. These increases were primarily due to the Division's ability to capitalize on the rapid growth of the citizens band radio industry. The depressed results for 1974 were the result of a decrease in volume caused by the economic recession, the establishment of higher credit standards, and an increase in Provision for Doubtful Receivables.

Beneficial Corporation Merchandising Division

Statement of Changes in Financial Position

(in thousands) Years Ended December 31,	1977	1976	1975	1974	1973
Source of Funds					
Net Income	$ 7,841	$35,792	$22,797	$19,870	$23,337
Expenses Not Requiring Concurrent Cash Outlays:					
Depreciation and Amortization	9,590	8,813	9,050	8,341	7,362
Deferred Income Taxes	1,082	876	962	828	436
Funds Provided by Operations	18,513	45,481	32,809	29,039	31,135
Long-Term Debt Issued	12	1,087	423	49,732	1,121
Disposal of Fixed Assets	2,675	1,060	144	538	571
Other	307	—	—	313	—
	$21,507	$47,628	$33,376	$79,622	$32,827
Application of Funds					
Addition to Fixed Assets	$12,771	$ 8,683	$ 8,130	$16,285	$20,153
Reduction of Long-Term Debt	9,445	8,805	1,846	3,432	4,136
Dividends Paid (exclusive of transfer of Midland to Beneficial) (Note 1a)	4,050	24,200	8,000	1,000	1,000
Other	187	266	489	452	732
Increase (Decrease) in Working Capital	(4,946)	5,674	14,911	58,453	6,806
	$21,507	$47,628	$33,376	$79,622	$32,827
Changes in Working Capital					
Increase (Decrease) in Current Assets:					
Cash	$ 1,128	$ (264)	$(11,498)	$ 1,515	$ 8,843
Net Receivables	1,316	10,742	(50,287)	(4,796)	46,247
Inventories	(2,712)	31,452	(13,329)	(1,265)	(14,918)
Prepaid Expenses	(347)	199	(1,893)	1,268	(326)
	(615)	42,129	(77,007)	(3,278)	39,846
Increase (Decrease) in Current Liabilities:					
Notes Payable and Long-Term Debt Due Within One Year	(44,107)	68,334	(44,447)	(33,683)	22,238
Accounts Payable	2,612	12,177	5,585	(432)	12,611
Payable to Beneficial Corporation	48,464	(39,684)	(56,245)	(39,291)	(24,261)
Deferred Income Taxes	(9,763)	(5,382)	(4,161)	10,188	22,078
Accrued Store Closings	7,733	—	—	—	—
Other Current Liabilities	(608)	1,010	7,350	1,487	374
	4,331	36,455	(91,918)	(61,731)	33,040
Increase (Decrease) in Working Capital	$ (4,946)	$ 5,674	$14,911	$58,453	$ 6,806

The Notes to Financial Statements should be considered in connection with this statement.

Notes to Financial Statements

1. Summary of Significant Accounting Principles and Practices

a) Affiliation and Combination Basis. The financial statements include the accounts of Midland International Corporation (Midland) and Subsidiaries, Spiegel, Inc. (Spiegel) and Subsidiaries, and Western Auto Supply Company (Western Auto) and Subsidiaries. All significant inter-company transactions have been eliminated. Certain prior year amounts have been restated to conform with 1977 classifications.

Midland, Spiegel, and Western Auto are wholly-owned subsidiaries of Beneficial Corporation (Beneficial). On May 31, 1977, Midland (which had been a wholly-owned consolidated subsidiary of Western Auto) was transferred from Western Auto to Beneficial by means of a dividend retroactive to January 1, 1977. The dividend amount represented Western Auto's carrying value of its investment in Midland (which included excess cost of $996,000). Dividends paid of $5,710,000 reflected in the Merchandising Division's Statement of Income and Retained Earnings include the amount of $1,660,000 consisting of: Excess Cost, $996,000 and Capital Stock of Midland, $664,000.

b) Examination of Financial Statements. Examinations of the financial statements of the Merchandising Division are made as of June 30 and December 31 by independent Certified Public Accountants.

c) Receivables. Receivables consist of the following: a)instalment accounts, for which finance charges are recorded in income by either the effective yield method or sum-of-years digit method; b) revolving accounts, for which finance charges are recorded in income when billed to the customers; c) amounts due from associate store owners for merchandise and certain other wholesale customers, which normally do not earn finance charges if paid within the trade terms; and d) amounts due from customers of associate store owners, which earn finance charges calculated on the sum-of-the-years digit method.

In accordance with merchandising industry practice, receivables (before deduction of unearned finance charges) include amounts becoming due after one year of $346.6 million at December 31, 1977 and $335.1 million at December 31, 1976.

d) Inventories. Inventories are priced at the lower of cost (first-in, first-out) or replacement market after considering obsolescence.

e) Taxes on Income. Results of operations are included in the consolidated federal income tax return of Beneficial. The total provisions for federal income taxes for financial statement purposes are approximately the same as they would have been had the companies filed separate returns. The item Payable to Beneficial Corporation includes federal income taxes payable.

f) Fixed Assets. Depreciation of fixed assets is provided on the straight-line method over their estimated useful lives.

Maintenance and repairs are expensed as incurred. Renewals and betterments are capitalized. The cost and accumulated depreciation of fixed assets retired, sold, or otherwise disposed of are eliminated from the accounts at the time of disposal and any resulting gain or loss is reflected in income.

g) Employee Retirement Plans. Current retirement plan cost and provision for funding prior service costs are charged to expense.

h) Accruals for Merchandise Warranties. Reserves are maintained to provide for anticipated costs relating to merchandise under warranty not covered by manufacturers' warranties.

2. Store Closings and Other Items

Management has determined that the Spiegel catalog order stores are no longer a desirable marketing outlet and plans to close the remaining stores during 1978. As a result of this decision, a provision of $2.5 million was established at September 30, 1977.

Western Auto established a provision of $9.6 million at June 30, 1977. Of this amount $7.0 million related to the closing of approximately 70 unprofitable retail stores and $2.6 million to inventory devaluation of discontinued items.

3. Transactions with Affiliates

An insurance subsidiary of Beneficial offers credit life insurance to Spiegel customers as well as to certain borrowers from a consumer loan subsidiary of Spiegel. During 1977 a life insurance subsidiary of Spiegel reinsured approximately 80% of the coverage pertaining to Spiegel customers and 100% of the coverage pertaining to the consumer loan subsidiary customers. Premiums paid to the subsidiary of Beneficial were $5.8 million in 1977 and $5.4 million in 1976. The excess of such premiums over claims paid, adjustments to funded reserves, and commissions of 15% in 1977 and 18% in 1976 were paid to Spiegel and its subsidiaries in amounts aggregating $1.3 million in 1977 and $1.3 million in 1976.

Beneficial provides certain services (at cost) for the collection of mail order receivables of Spiegel. Charges to Spiegel for such services aggregated $3.7 million in 1977 and $3.2 million in 1976.

In May 1977 Beneficial began to provide data processing services to Midland, Spiegel, and Western Auto. Charges aggregated $1.1 million in 1977.

4. Short-term Borrowings

Western Auto meets certain of its operating fund requirements through short-term bank borrowings and the sale of its commercial paper. At December 31, 1977 $125.6 million in bank lines was available to Western under various informal arrangements. Most arrangements provide for the maintenance of bank balances based upon a percentage of the available line or related borrowing, while others are based upon a fixed rate or give effect to normal operating bank balances. At December 31, 1977 $10.7 million in compensating bank balances was maintained in support of bank lines.

Midland and Spiegel obtain operating funds primarily through borrowings from Beneficial at an interest rate of 7½%. Midland obtained operating funds through borrowings from Western Auto until May 31, 1977.

5. Long-term Debt and Restrictions on Retained Earnings

A summary of long-term debt follows:

(in thousands)	1977	1976
5.5% notes payable, due 1979	$ 50,000	$ 50,000
Debentures:		
9.5%, due 1979	50,000	50,000
7.85%, due 1996, with annual sinking fund payments	42,287	45,660
5.25%, due 1983	40,000	40,000
5%, due 1987	40,000	40,000
5.9% subordinated notes, due 1977 through 1980	15,000	20,000
Other long-term debt	7,751	9,169
	245,038	254,829
Less long-term debt due within one year	5,837	6,194
	$239,201	$248,635

The companies' long-term debt agreements contain certain covenants restricting the payment of dividends, the purchase and retirement of the companies' capital stock, investments, and indebtedness. Under the terms of the most

restrictive covenants, approximately $89.3 million of the companies' Retained Earnings of $227.6 million at December 31, 1977 was available for the payment of dividends to Beneficial Corporation.

Annual long-term debt and sinking fund payments for the five years subsequent to December 31, 1977 are as follows (in millions): 1978, $5.8; 1979, $105.8; 1980, $7.5; 1981, $2.6; and 1982, $2.5.

6. Employee Profit Sharing and Retirement Plans

Profit sharing and retirement plans cover substantially all employees who have met specified requirements. The companies' contributions to these plans (charged to earnings) were $6.2 million for 1977 and $6.8 million for 1976.

At January 1, 1977, the date of the most recent valuation, the actuarially computed value of vested benefits under the retirement plans exceeded fund assets and balance sheet accruals by approximately $6.9 million.

7. Taxes on Income

Deferred taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes. Charges (credits) to the deferred tax provision for the years ended December 31 are related to:

(in thousands)	1977	1976
Provision for store closings and other items	$ (3,332)	$ —
Instalment basis for gross profit on credit sales	(4,879)	(5,478)
Depreciation	988	741
Provision for doubtful accounts	(1,549)	135
Provision for merchandise warranty reserves	(1,581)	(692)
Other	(832)	180
	$(11,185)	$(5,114)

A reconciliation between the expected and the effective federal income tax rates is as follows:

(in thousands)	1977	1976
Income before Provision for Income Taxes	$14,164	$70,756
Less State and Local Income Taxes	950	3,063
Income before Provision for Federal Income Taxes	$13,214	$67,693
Expected Provision for Federal Income Taxes	$ 6,343	$32,493
Expected Tax Rate	48.0%	48.0%
Decreases in Tax Rate Resulting from:		
Income of insurance subsidiaries taxed at lower effective rates	(2.8)	(0.2)
Investment tax credit	(3.5)	(0.4)
Other	(1.0)	(0.3)
Effective Tax Rate	40.7%	47.1%
Provision for Federal Income Taxes	$ 5,373	$31,901

8. Leases

The companies occupy certain warehouse facilities and stores and use certain equipment under operating leases. Rent expense for the years ended December 31 was $20.9 million in 1977 and $20.9 million in 1976. Minimum lease commitments at December 31, 1977, excluding Spiegel catalog order stores and Western Auto retail stores to be closed, for which provision has been made (see Note 2), were:

(in millions)	
1978	$11.5
1979	10.4
1980	9.2
1981	7.3
1982	6.3
1983 through 1987	21.1
1988 through 1992	5.0
Thereafter	0.5
Total	$71.3

It is expected that, in the normal course of business, leases that expire will be renewed or replaced with leases on other properties; thus, it is expected that future minimum rentals will not be less than those for 1978.

9. Information by Group

The Merchandising Division consists of Midland, Spiegel, and Western Auto, and their respective subsidiaries. Midland is an international marketing and importing company that sells its merchandise at wholesale, primarily to domestic retailers. Spiegel is engaged in the sale through catalogs of merchandise by mail and through order stores. Western Auto sells its merchandise at retail through company-owned stores and to independently operated associate stores, located in smaller communities.

Midland sells merchandise to Western Auto and Spiegel at prices generally comparable to those charged unaffiliated customers. While Midland was owned by Western Auto, loans were made to Midland on which interest was charged at Western Auto's actual short-term borrowing costs plus a credit facility charge.

Information at December 31, 1977 and for the year then ended is as follows:

(in millions)	Midland	Spiegel	Western Auto	Adjustments and Elimi-nations	Combined
Identifiable Assets	$ 51.4	$458.4	$478.0	$ (1.6)	$ 986.2
Net Sales and Other Revenue:					
Unaffiliated Customers	$110.4	$377.0	$691.3		$1,178.7
Intradivision	11.1		0.8	$(11.9)	
Total	$121.5	$377.0	$692.1	$(11.9)	$1,178.7
Operating Profit	$ (1.7)	$ 29.6	$ 29.2	$ (0.8)	$56.3
Interest Expense					(30.0)
Provision for Store Closings and Other Items					(12.1)
Income Before Income Taxes					$14.2

10. Replacement Cost Data

In accordance with regulations of the Securities and Exchange Commission, Western Auto and Spiegel have developed replacement cost information for inventory and fixed assets. This information is included in the Form 10-K of the respective companies filed with the Securities and Exchange Commission. Midland is not required to develop or report such information and if such information were included, in the opinion of management, it would not significantly change the amounts included in the Merchandising Division financial statements.

Inventory as stated for the Division at December 31, 1977 is not materially different from estimated replacement cost. Cost of Sales at replacement value is marginally higher than the historic costs reflected in the financial statements. The Division has historically demonstrated the ability to recover increased costs through adjustment of its selling prices although competitive factors caused a reduction in the profit margin of the Division during 1977.

The replacement cost of fixed assets and resulting depreciation expense would be significantly higher than amounts reflected in the financial statements of the Division; however, technological improvements in certain operations of the Division would offset, at least in part, this additional expense.

Accountants' Opinion

The Board of Directors
Beneficial Corporation

We have examined the balance sheet of Beneficial Corporation Merchandising Division (Midland International Corporation and Subsidiaries, Spiegel, Inc. and Subsidiaries, and Western Auto Supply Company and Subsidiaries, combined), as of December 31, 1977 and 1976 and the related statements of income and retained earnings and changes in financial position for the five years ended December 31, 1977. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Spiegel, Inc. and Subsidiaries for the three years ended December 31, 1975, which statements reflect total revenues constituting 36% in 1975, 38% in 1974, and 41% in 1973 of the related combined totals. These statements were examined by other Certified Public Accountants whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Spiegel, Inc. and Subsidiaries, is based upon the report of the other Certified Public Accountants.

In our opinion, based upon our examinations and the report of other Certified Public Accountants, the aforementioned financial statements present fairly the financial position of the Beneficial Corporation Merchandising Division at December 31, 1977 and 1976 and the results of its operations and changes in its financial position for the five years ended December 31, 1977, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Kansas City, Missouri
February 17, 1978

Information by Group

Supplemental Information

(in thousands) Years ended December 31,	1977	1976	1975	1974	1973
Net Sales and Other Revenue					
Midland (a	$ 110,380	$ 209,765	$ 88,017	$ 64,643	$ 66,366
Spiegel	376,998	359,337	367,319	396,028	430,613
Western Auto (b	691,307	637,244	565,064	578,561	565,623
Combined	$1,178,685	$1,206,346	$1,020,400	$1,039,232	$1,062,602
Income (Loss) before Income Taxes					
Midland	$ (4,443)	$33,233	$12,418	$ (282)	$ 1,807
Spiegel	11,605	10,971	9,052	10,261	15,746
Western Auto	7,002	26,552	25,122	29,592	27,440
Combined	$14,164	$70,756	$46,592	$39,571	$44,993
Net Income (Loss)					
Midland	$ (1,958)	$16,786	$ 6,397	$ (398)	$ 1,042
Spiegel	6,429	5,655	4,650	5,288	8,044
Western Auto	3,370	13,351	11,750	14,980	14,251
Combined	$ 7,841	$35,792	$22,797	$19,870	$23,337

	Receivables, Net of Unearned Finance Charges (c		Allowance for Doubtful Receivables	
(in thousands) December 31,	1977	1976	1977	1976
Midland	$ 18,492	$ 30,317	$ 1,105	$ 2,085
Spiegel	409,094	398,847	29,927	29,565
Western Auto	281,892	280,336	12,749	13,469
Combined	$709,478	$709,500	$43,781	$45,119

	Inventories		Total Assets		Shareholder's Equity	
	1977	1976	1977	1976	1977	1976
Midland	$ 27,905	$ 32,581	$ 49,882	$ 68,208	$ 16,551	$ 18,831
Spiegel	44,895	40,203	458,359	445,048	82,623	78,444
Western Auto	131,210	133,938	477,924	474,135	244,704	243,808
Combined	$204,010	$206,722	$986,165	$987,391	$343,878	$341,083

a) Excludes intradivision sales (in millions): $11.1, $18.7, $15.4, $11.8, and $23.6 respectively.
b) Excludes intradivision revenue of $0.8 million in 1977 and $1.1 million in 1976.
c) Excludes intradivision receivables.

Eleven-Year Summary

Supplemental Information

(amounts in thousands, except where noted) Years Ended December 31,	1977	1976
During the Year		
Consolidated		
Net Income	$ 85,657	100,407
Earnings per Common Share (dollars):		
Primary	$ 3.64	4.52
Fully-diluted	$ 3.56	4.05
Average Number of Common Shares:		
Primary	21,808	20,436
Fully-diluted	22,686	24,436
Cash Dividends paid per Common Share (dollars)	$ 1.60	1.4375
Finance Division		
Volume of Finance Receivables Acquired less Unearned Finance Charges	$2,261,888	1,900,279
Number of Finance Receivables Acquired	2,127	1,797
Average Amount of Transaction (dollars)	$ 1,063	1,057
% of Monthly Cash Principal Collections to Average Monthly Balances	4.34	4.35
% of Finance Receivables Charged Off (after Offsetting Recoveries) to Average Monthly Balances	1.74	2.04
Revenue	$ 640,362	536,558
Income before Provision for Income Taxes	$ 137,149	116,351
Income from Finance Division	$ 77,816	64,615
% of Income from Finance Division to Revenue	12.15	12.04
Merchandising Division		
Net Sales and Other Revenue	$1,178,685	1,206,346
Income before Income Taxes	$ 14,164	70,756
Income from Merchandising Division	$ 7,841	35,792
% of Income from Merchandising Division to Net Sales and Other Revenue	0.67	2.97
At Year End		
Consolidated		
Total Debt	$2,275,581	1,794,308
Shareholders' Equity	835,074	791,246
Ratio of Total Debt to Shareholders' Equity	2.73 to 1	2.27 to 1
Finance Division		
Finance Receivables less Unearned Finance Charges	$2,526,177	2,085,042
% of Unearned Finance Charges to Related Net Finance Receivables	28.86	29.90
Reserve for Possible Credit Losses	$ 126,309	106,337
% of Reserve for Possible Credit Losses to Finance Receivables less Unearned Finance Charges	5.00	5.10
% of Finance Receivables (account balances, loans only) with Payments More than Two Months Delinquent (based upon recency of payment)	1.08	1.19
Number of Accounts	2,451	2,095
Average Account Balance (dollars)	$ 1,031	995

Notes:
The data for all years include results of companies accounted for on a pooling of interest basis and all data have been adjusted for pooling of interests.

1975	1974	1973	1972	1971	1970	1969	1968	1967
73,367	63,682(a	75,773	82,204	68,755	59,194	53,627	51,965	49,100
3.34	2.83(a	3.51	3.92	3.22	2.71	2.45	2.37	2.21
2.94	2.55(a	3.04	3.30	2.75	2.36	2.14	2.07	1.95
19,145	19,103	18,705	18,413	18,143	17,885	17,488	17,047	16,965
24,451	24,479	24,459	24,494	24,516	24,494	24,493	24,461	24,417
1.25	1.25	1.20	1.10	1.0667	1.0667	1.0667	1.0667	1.0667
1,553,622	1,669,254	1,739,432	1,632,869	1,461,770	1,368,832	1,402,672	1,352,295	1,162,047
1,512	1,886	2,177	2,150	1,940	1,924	2,120	2,199	2,105
1,028	885	799	759	753	711	662	615	552
4.28	4.45	4.94	4.90	4.82	4.63	4.96	5.22	5.35
2.42	2.12	1.82	1.56	1.57	1.40	1.22	1.26	1.41
460,260	452,539	416,317	376,921	336,057	305,445	276,032	244,572	224,633
95,053	81,219	100,479	104,541	98,828	88,378	77,629	70,296	64,962
50,570	43,812	52,436	59,787	51,912	48,092	39,316	36,900	35,244
10.99	9.68	12.60	15.86	15.45	15.74	14.24	15.09	15.69
1,020,400	1,039,232	1,062,602	985,399	878,541	800,040	801,640	748,142	718,303
46,592	39,571	44,993	43,676	33,148	21,655	30,987	32,378	24,592
22,797	19,870	23,337	22,417	16,843	11,102	14,311	15,065	13,856(b
2.23	1.91	2.20	2.27	1.92	1.39	1.79	2.01	1.93
1,664,353	1,650,361	1,618,862	1,558,101	1,423,438	1,337,433	1,232,399	1,091,634	944,648
723,818	688,959	646,165	599,964	547,054	506,100	475,578	449,137	424,028
2.30 to 1	2.40 to 1	2.51 to 1	2.60 to 1	2.60 to 1	2.64 to 1	2.59 to 1	2.43 to 1	2.23 to 1
1,828,456	1,781,500	1,700,696	1,579,689	1,441,331	1,366,537	1,267,075	1,135,077	988,752
29.10	28.16	27.80	27.68	26.85	25.13	24.86	23.45	22.28
95,054	92,638	86,736	82,154	76,448	73,657	69,625	63,408	59,012
5.20	5.20	5.10	5.20	5.30	5.39	5.49	5.59	5.97
1.29	1.28	1.15	0.99	0.89	0.96	0.90	0.83	0.86
2,008	2,138	2,250	2,223	2,105	2,125	2,132	2,121	2,085
911	833	756	711	685	643	594	535	474

a) Excludes Extraordinary Credit of $12.1 million from sale of undeveloped land by a non-consolidated subsidiary (see Note 15, page 31). Primary and Fully-diluted Earnings per Common Share exclude Extraordinary Credit of $.64 and $.49 per share respectively.

b) Includes profit from sale of a foreign subsidiary (net of federal income tax) of $1.2 million.

Data by Calendar Quarter

Supplemental Information

(in thousands, except per share figures)	First Quarter	Second Quarter
Revenue		
Finance Division	$147,384	$156,806
Merchandising Division:		
Midland (excluding intradivision sales)	39,485	23,609
Spiegel, Inc.	84,812	77,309
Western Auto (excluding intradivision revenue)	163,142	196,486
Revenue from Merchandising Division	287,439	297,404
Total	$434,823	$454,210
Operating Income (Loss)		
Finance Division	$35,612	$33,604
Merchandising Division:		
Midland	3,421	974
Spiegel, Inc.	2,139	907
Western Auto	6,560	435
Operating Income (Loss) from Merchandising Division	12,120	2,316
Total	$47,732	$35,920
Net Income (Loss)		
Finance Division	$19,027	$19,172
Merchandising Division:		
Midland	1,753	593
Spiegel, Inc.	1,104	590
Western Auto	3,149	264
Income from Merchandising Division	6,006	1,447
Total	$25,033	$20,619
Earnings Per Common Share		
Primary	$1.08	$.88
Fully-diluted	$1.01	$.83
Shares Entitled to Vote		
$5.50 Dividend Cumulative Convertible Preferred Stock:		
High Sales Price	$117.00	$110.00
Low Sales Price	104.75	96.25
Dividends Paid per Share	1.375	1.375
$4.30 Dividend Cumulative Preferred Stock (Convertible prior to November 1, 1977):		
High Sales Price	60.375	52.875
Low Sales Price	51.50	47.50
Dividends Paid per Share (payable semi-annually)	2.15	—
Common Stock:		
High Sales Price	27.00	25.125
Low Sales Price	22.75	21.375
Dividends Paid per Share	.40	.40

a) Quarterly figures do not add to total for year because of termination of convertibility of $4.30 Dividend Cumulative Preferred Stock October 31, 1977.

b) Anti-dilutive, but included in total for year.

1977 Third Quarter	1977 Fourth Quarter	1977 Total	1976 First Quarter	1976 Second Quarter	1976 Third Quarter	1976 Fourth Quarter	1976 Total
$165,954	$170,218	$ 640,362	$129,920	$124,445	$132,339	$149,854	$ 536,558
24,985	22,301	110,380	50,956	70,644	51,331	36,834	209,765
85,439	129,438	376,998	82,198	72,180	84,604	120,355	359,337
166,809	164,870	691,307	152,602	174,581	157,699	152,362	637,244
277,233	316,609	1,178,685	285,756	317,405	293,634	309,551	1,206,346
$443,187	$486,827	$1,819,047	$415,676	$441,850	$425,973	$459,405	$1,742,904
$41,679	$29,553	$140,448	$37,398	$26,755	$33,457	$23,471	$121,081
(656)	(8,182)	(4,443)	13,210	19,597	7,525	(7,099)	33,233
(424)	8,983	11,605	3,083	857	1,865	5,166	10,971
1,550	(1,543)	7,002	8,049	10,060	4,674	3,769	26,552
470	(742)	14,164	24,342	30,514	14,064	1,836	70,756
$42,149	$28,811	$154,612	$61,740	$57,269	$47,521	$25,307	$191,837
$23,488	$16,129	$77,816	$22,203	$15,203	$18,759	$8,450	$ 64,615
(333)	(3,971)	(1,958)	6,652	9,908	3,791	(3,565)	16,786
(161)	4,896	6,429	1,526	494	972	2,663	5,655
669	(712)	3,370	4,015	5,064	2,346	1,926	13,351
175	213	7,841	12,193	15,466	7,109	1,024	35,792
$23,663	$16,342	$85,657	$34,396	$30,669	$25,868	$9,474	$100,407
$1.01	$.67	$3.64	$1.67	$1.44	$1.11	$.30	$4.52
$ .95	$.67	$3.56(a	$1.39	$1.29	$1.03	$.34(b	$4.05
$108.00	$101.00		$101.00	$100.75	$115.00	$121.75	
94.00	91.00		85.25	86.00	104.75	104.25	
1.375	1.375	$5.50	1.375	1.375	1.375	1.375	$ 5.50
54.00	51.50		58.75	56.00	59.50	61.00	
50.00	48.50		46.50	50.25	53.50	52.50	
2.15	—	4.30	2.15	—	2.15	—	4.30
24.75	23.375		23.625	24.375	26.25	27.625	
21.00	20.375		17.375	18.75	22.625	22.875	
.40	.40	1.60	.3125	.3625	.3625	.40	1.4375

Beneficial Corporation

Board of Directors

Cecil M. Benadom [1,3]
Retired; former President of Beneficial Corporation

Charles W. Bower [1,2]
Senior Vice-President and Treasurer

Robert C. Cannada [3,4]
Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada, Jackson, Mississippi

Elbert N. Carvel
Vice Chairman of the Board of Trustees of the University of Delaware; Chairman of the Board of Peoples Bank and Trust Company, a subsidiary

Finn M. W. Caspersen [1,2]
Chairman of Board of Directors and Chief Executive Officer

Freda R. Caspersen
Chairman of Board of Directors of Westby Corporation, real estate investments, Wilmington, Delaware

Thomas W. Cullen [4]
Retired; former President of an affiliated holding company

George R. Evans [1,2]
Member of the Office of the President and Vice-Chairman of Board of Directors; President of Beneficial Management Corporation, a subsidiary

Leon A. Fults
Retired; former Chairman of Board of Directors of Western Auto Supply Company, a subsidiary

J. Thomas Gurney [4]
Attorney at Law, Gurney, Gurney & Handley, Orlando, Florida

Arnold T. Koch [4]
Of Counsel to Wormser, Kiely, Alessandroni & McCann, New York, New York

DeWitt J. Paul
Retired; former Chairman of Board of Directors of Beneficial Corporation

Robert A. Tucker [1,2]
Member of the Office of the President, First Vice-President and Chief Financial Officer

Richard A. Wagner
Executive Vice-President Operating and Chief Supervision Director of Beneficial Management Corporation, a subsidiary

Arthur T. Ward, Jr. [4]
Medical Doctor and businessman, Baltimore, Maryland

Charles H. Watts, II [1,3,4]
Educational and business consultant, McLean, Virginia

K. Martin Worthy
Attorney at Law, Hamel, Park, McCabe & Saunders, Washington, D.C.

Directors Emeritus

Modie J. Spiegel
William E. Thompson
Ralph B. Williams

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(1) Member of Executive Committee (Finn M. W. Caspersen, Chairman)

(2) Member of Finance Committee (Robert A. Tucker, Chairman)

(3) Member of Audit Committee (Charles H. Watts, II, Chairman)

(4) Member of Compensation Committee (Arnold T. Koch, Chairman)

Officers

Finn M. W. Caspersen
Chairman of Board of Directors and Chief Executive Officer

George R. Evans
Member of the Office of the President and Vice-Chairman of Board of Directors

Robert A. Tucker
Member of the Office of the President, First Vice-President and Chief Financial Officer

Charles W. Bower
Senior Vice-President and Treasurer

William A. Gross
Senior Vice-President

Edgar D. Baumgartner
Vice-President and Tax Counsel

Edwin M. Stokes
Vice-President and Secretary

Russell W. Willey
Vice-President and Controller

Glenn E. Paton
Vice-President and Assistant Secretary

Charles H. Donovan
Auditor

John R. Doran
Assistant Vice-President and Assistant Treasurer

Robert F. Haag
Assistant Vice-President and Assistant Controller

Joseph R. Roberge
Assistant Vice-President

Worthy A. Hollister
Assistant Auditor

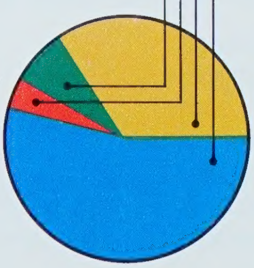
Genevieve M. Nickerson
Assistant Secretary

Elmer H. Reynolds
Assistant Treasurer

Harold J. Robinson
Assistant Secretary

Contribution to 1977 Consolidated Net Income*

54%	Consumer Finance Subsidiaries
35%	Insurance Group
4%	Western Auto Supply Company
7%	Spiegel, Inc.



*Excludes net loss of Midland

Beneficial Management Corporation

Executive Committee

George R. Evans
Chairman and President

Finn M. W. Caspersen

R. Donald Quackenbush
Executive Vice-President Insurance

Robert A. Tucker

Gordon L. Wadmond
Executive Vice-President

Richard A. Wagner
Executive Vice-President Operating and Chief Supervision Director

Senior Vice-Presidents

Richard H. Bate, Counsel
Leo R. Caron, Operating
David J. Farris, Operating
John M. Farrell, Community Affairs
Robert P. Freeman, Personnel
Thomas E. Gerrity, Operating
Robert Mallock, Business Development
Helmuth Miller, Public Relations
William G. Weiss, Operating, Canada

Vice-Presidents

Joseph E. Chauvette, Controller
John M. Doman, Audit Controls
Joseph A. Furey, State and Local Taxes

Robert E. Gaegler, Insurance
George B. Pearson, Planning and Research
William S. Prickett, Treasurer
William G. Simpson, Corporate Benefits
Clifford W. Snyder, Advertising
Leon Spitz, Real Estate
David W. Valentien, Management Information Services
Charles V. Walsh, Counsel, Public Relations

Charles E. Hance, Litigation Counsel
Lawrence Kelder, Executive Assistant
Kenneth J. Kircher, Secretary to Executive and Management Committees
James D. Warren, Secretary
Judith A. Bonnesen, Assistant Secretary
Helen A. Hofbeck, Assistant Secretary
John V. McCardle, Assistant Treasurer

Beneficial Management Corporation, a wholly-owned subsidiary, furnishes, at cost, supervision, audit, accounting, and other services to most of the operating subsidiaries.

Principal Executives of other Subsidiary Companies

Senior Vice-Presidents

Joseph A. Stubits, Operating—Retail Credit
William G. Weiss, Canada

Vice-Presidents

J. E. Aldridge, West Coast Central
Kenneth D. Angevine, Beneficial Finance Co. of New York, Inc.
Pierre E. Bashe, California North
George B. Brush, New England
Dewey O. Cassler, Tri-State
Ernest H. Cole, Southwest
John France, United Kingdom
Grant H. Genske, Northwest
Robert M. Grohol, Eastern
J. Gaetan Helms, Montreal
W. James Murphy, Southern
Charles L. Rounsavall, Midsouth
Vernon G. Smith President and Treasurer Beneficial Finance Co. of New York, Inc.
Robert E. Styles, Midwest
Harry E. Vanderbank, East Central
Daniel Wilczek, Central
Murray W. Wilson, Australia
John F. Yarley, Gulf Coast

George R. Evans, President Beneficial Finance Co. of Canada
Gerald L. Holm, President Beneficial Data Processing Corporation
J. Edward Kerwan, Vice-President Beneficial Data Processing Corporation
John J. Leonard, Vice-President Beneficial Data Processing Corporation
Joseph A. Yankauskas, Vice-President Beneficial Data Processing Corporation
Bevan G. Walker, Vice-President, Secretary-Treasurer Beneficial Finance Co. of Canada
Gerald S. Corsover, President Parliament Leasing Corporation

Beneficial Insurance Group

Officers of One or More Companies

R. Donald Quackenbush, Chairman of the Board of Directors and President
Robert E. Gaegler, Executive Vice-President
Mary R. Bermingham, Secretary and Treasurer
James T. Kearns, Senior Vice-President Marketing—Life
William M. Campbell, Vice-President Industry Relations and External Affairs
Roy F. Duke, Jr., Vice-President Investments
William G. Jarman, Vice-President Marketing—Life
Anthony F. Mita, Vice-President Administration
Albert G. Morhart, Jr., Vice-President Casualty Operations
Donald K. Smith, Vice-President
John H. Suminski, Vice-President Legislative Counsel
Laverne R. Wolfanger, Jr., Controller
Gloria P. Poole, Assistant Secretary

Edward A. Dunbar, President Beneficial International Insurance Company, Limited
Theodore H. Cassidy, Vice-President
Nicholas G. Cooper, Vice-President
H. C. Butterfield, Resident Counsel and Secretary
Joy Orchard, Assistant Secretary

David B. Ward, Counsel to the Insurance Group

Western Auto Supply Company

Officers

Joseph C. Grissom, Chairman of the Board and Chief Executive Officer
J. Roger McDonald, President
Kenneth L. Brown, Vice-President and Controller
Herbert D. Froemming, Vice-President and Treasurer
Louis L. Poplinger, Vice-President and Secretary
John H. Henke, Vice-President
Stanley J. Hoffman, Vice-President
William J. Knickerbocker Vice-President
Philip E. Long, Vice-President
Carl W. Mahan, Vice-President
R. T. Renfro, Vice-President
R. P. Bradley, Assistant Treasurer
Ralph L. Wright, Assistant Secretary

Alvin L. Esbin, President of Eva Gabor International, Ltd.

Midland International Corporation

Officers

John W. Lane, Chairman of the Board of Directors and Chief Executive Officer
Robert W. McFadden, President and Chief Operating Officer
Robert A. Caldwell, Vice-President
Richard L. Looney, Vice-President
Richard W. Stilley, Vice-President and Treasurer
Louis L. Poplinger, Secretary

Spiegel, Inc.

Officers

Henry A. Johnson, Chairman of the Board of Directors and Chief Executive Officer
John R. Erickson, Vice-President
Joseph F. Garraty, Vice-President
Leonard A. Gittelsohn, Vice-President
William M. Giuntoli, Vice-President
Robert H. Hirshberg, Vice-President
Walter B. Killough, Vice-President
Albert H. Paul, Vice-President
Edward J. Spiegel, Vice-President
Paul A. Stinneford, Vice-President and Secretary
Joseph A. Stubits, Vice-President
Alton M. Withers, Vice-President and Treasurer
Michael R. Moran, Assistant Vice-President and Assistant Secretary
Meyer Sheinfeld, Assistant Secretary
Caroline M. Biggs, Assistant Treasurer

Beneficial Corporation
Wilmington, Delaware 19899